

CITY OF ROCKWALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

CITY OF ROCKWALL, TEXAS

FINANCE DEPARTMENT

Mary P. Smith, CPA
Assistant City Manager/
Director of Finance

CITY OF ROCKWALL, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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Introductory Section

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City of Rockwall
The New Horizon

March 18, 2012

To the Honorable Mayor,
Members of the City Council,
and the Citizens of the City of Rockwall, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Rockwall for the fiscal year ended September 30, 2012, is hereby submitted in accordance with Section 7.18 of the City Charter. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for both the completeness and reliability of all of the information presented in this report. Fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds in the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

To provide a reasonable basis for making these representations, management of the City of Rockwall has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rockwall's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

Because the cost of internal controls should not outweigh their benefits, the City of Rockwall's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The internal control structure is subject to periodic evaluation by City management.

The City of Rockwall's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rockwall for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rockwall's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements as required by GAAP. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Rockwall, Texas, county seat of Rockwall County, Texas was incorporated in 1874. Its name is derived from an underground rock wall discovered in 1854. The unusual rock formations are found throughout the county. The City is located on the eastern shore of Lake Ray Hubbard, 22 miles east of downtown Dallas on Interstate Highway 30. The Dallas/Fort Worth area is recognized as one of the top growth areas in the country. The Dallas/Fort Worth International Airport and Love Field in Dallas meet the air transportation needs of the region.

The City currently has a land area of approximately 29.78 square miles and an estimated population of 38,586.

The City of Rockwall adopted a home rule charter in 1985 which established a council-manager form of government. Charter amendments were adopted in 2005. Policy making and legislative authority is vested in the City Council, which consists of a Mayor and six Council Members, all elected at large. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The mayor and six council members are elected to two year staggered terms. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Rockwall provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; planning and zoning, parks and recreational activities and general administrative services. Additionally, the City provides water and sewer services as an enterprise function.

Discretely presented component units are legally separate entities and are not part of the primary government's operations. The City of Rockwall is financially accountable for its component units. Accordingly, the Rockwall Economic Development Corporation (REDC) and Rockwall Technology Park Association are included in these financial statements and are explained in more detail in Note 1 of the Notes to the Financial Statements.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when considered from the broader perspective of the specific environment within which the City of Rockwall operates.

Local Economy

The City of Rockwall is situated in the Dallas/Fort Worth Consolidated Metropolitan Statistical Area. With its concentration of commercial and retail development, the City of Rockwall has long drawn shoppers from surrounding areas. As the national economy began to improve over the last year, Rockwall's economy benefitted from a mix of new businesses and the renewed success of others. Rockwall saw an increase of 10.35% in our local sales taxes. The city has a varied tax base including a mix of residential, commercial and light industrial properties. Total property values rose by .11%. The most recent five-year average is 3.94% per annum. The City's largest taxpayers are varied and include retail developments, industry, and medical facilities. Table 12 in the Statistical Section provides further information on the principal taxpayers. The Rockwall Economic Development Corporation continues to market Rockwall and assist companies looking to locate their business in the City. The year's highlights included:

- Allen Foods, worked with the Rockwall Economic Development Corporation to construct a new 276,000 square foot bakery facility to be open in 2013. In addition, the REDC attracted Hatfield and Company to relocate their 25,000 square foot facility to the Technology Park. The Whitmore Manufacturing Company will be adding 100,000 square foot to their existing Rockwall headquarters facility breaking ground in summer 2012. With the completed construction of the extension of Discovery Boulevard from the Technology Park to John King Boulevard increasing access to the interstate from the Park, Texas A&M Commerce announced the opening of a Rockwall campus with classes starting in January 2013. Training partnerships are expected to develop to educate the area's workforce to meet the demand for careers with area industrial and medical employers.
- The Presbyterian Hospital of Rockwall continues to attract medical offices and quality long term care to the surrounding area. Construction began on an acute care facility to serve the northern side of the City. The Presbyterian development has added more than \$61,000,000 to the City's tax rolls.
- Downtown Rockwall benefits from the attention garnered from Rockwall's being a Texas Main Street City. A number of new retail establishments including Enjoy and KE Cellars winery joined to complement the many offerings in the downtown area. The City has seen a 12.33% increase in sales taxes in the downtown area in the last year.
- New retail and restaurant openings in 2012, including Cole Mountain and Perla's Kitchen, joined the extensive mix of restaurants to choose from including locally owned favorites and nationally recognized names. Popular accessories store Charming Charlie adds to the retail offerings this year.

Long-term Planning

The City Council and staff recognize the need for long-range planning. It is the goal of the City government to provide responsible leadership, services, and infrastructure to achieve a safe environment and provide for a high quality of life.

Financial Policies

The City Council adopted financial policies in 2001 which have guided the City allowing us to build a strong fund balance and reinforcing the need to budget conservatively for both revenues and expenditures. The general fund reserve policy was reviewed and updated most recently in 2009. The policy states the City should maintain no less than 3 months of reserves and will allow reserves in excess of 3.5 months of recurring operating expenditures to be transferred to a capital projects fund to be used to fund future projects. The City has maintained reserves at or above this level for many years. This allows the City to respond to emergencies or downturns while not overburdening the taxpayers. Reserves over the 3.5 month level were available to fund capital projects in 2012 which included the purchase of a building to move Municipal Courts. The remodel of this facility and expansion of facilities for the Police Department will occur in 2013 with general fund reserves over the 3.5 month level.

Budget Overview

The City Manager proposes a balanced budget to the City Council each year by August 1. Public hearings are conducted to receive comments and priorities of the community at large. The City Council must adopt the operating budget and set the City's tax rate for the next year by October 1st of each year.

Planning Projects

The City completed annexation of several large tracts of land which are now incorporated into the City planning. The City Council completed the review of the City's Comprehensive Land Use Plan in 2012 and made necessary updates.

Having identified the downtown area as a critical component of our long range plan, the City and business and community leaders work with the City's Texas Main Street Manager to coordinate planning efforts and develop interest in locating business downtown and to bring events to the Square. The Main Street program has afforded opportunities for businesses to qualify for façade restoration grants which are funded by the City and local financial institution Community Bank.

The City worked with a consulting firm to prepare an extensive conceptual plan for Planned Development 32 (PD32) which encompasses 60 acres of undeveloped land inside the City's tax increment financing zone and adjacent to the Harbor development. The city recognized the importance of having the conceptual plan ready when the economy improves. The City initiated the zoning process to establish a form based code for the area. It is expected the area will soon see the expansion of the mixed-use concept with retail, restaurants, office and residential spaces as interest from the development community is being expressed. The first multi-story office tower project will commence construction in 2013.

The Rockwall Economic Development Corporation in conjunction with their Destination 2020 plan has refined the focus and role of their planning committee as well. Their marketing program now includes social media components and targeted marketing aimed at desired industries.

Capital Improvement Planning

A Capital Improvements Committee (CIP) of citizens considered a slate of projects in 2011. The committee recommended projects for the bond election held in May 2012. While some initiatives were not successful, voters approved propositions to provide downtown accessibility projects roadway rehabilitation and Interstate 30 ramp projects. The City hired design and construction management professionals to work with staff and City Council to develop the vision for the projects and cost estimates to ensure the projects as approved can move forward expeditiously and be completed within budget.

Strategic Planning

Organizationally, the City uses the Balanced Scorecard Methodology for strategic planning. Bi-annually the City conducts a Citizen Satisfaction Survey to document our progress meeting the needs of our citizens. The City continues to receive good marks on our biannual survey, most recently completed in 2011, regarding our progress on adopted goals and strategies as well as areas of interest for future projects.

Future Development

Transportation

The City completed construction of John King Boulevard named in honor of our late council member. The Texas Department of Transportation completed work on the overpass which connects the northern and southern roadways and allow additional access to I-30 in August 2012. TxDOT continued the project to widen FM740 in southern Rockwall with the grand opening coming in December 2012. City projects completed in 2012 included the reconstruction of Airport Road, a much traveled east-west roadway allowing better access to John King Boulevard. In 2013, Corporate Crossing, formerly FM549, will be widened to provide improved and enhanced access to the City's light industrial area between I-30 and SH276.

The City is a member of a County-wide Consortium which allows County government officials to work with officials of each of the seven cities in the county to further transportation planning efforts. The Consortium meets monthly to discuss funding alternatives for the County's transportation needs, which also involve planning and state participation. The County's bond initiatives allow funding for the advance planning and design of 5 major roadway projects. This allows the projects to be ready to commence as soon as state funding is allocated for construction. The Consortium is looking at potential additions to the plan and reorganization of priorities in 2013 to situate projects for best funding potential in the coming years.

Medical Services

Developments in the Horizon Road area have focused on medical services. With the availability of acute care at Presbyterian Hospital of Rockwall, the addition of several new medical buildings with Doctor's suites and state of the art out-patient diagnostic imaging facilities has allowed Rockwall to become a regional medical services destination. Additional ancillary medical office buildings and long term care facilities are planned for near term development. Construction began on the Presbyterian Hospital acute care facility.

Retail / Entertainment

"The Harbor" development is situated on the shores of Lake Ray Hubbard at I-30. A public/private partnership provided opportunities for new retailers in the Bella Harbor development as well as public open space and a full-service Hilton Hotel and Conference Center. The Conference Center continues to attract events including numerous corporate training and retreat sessions and expects many which are scheduled for 2013.

In conjunction with private development, the City established a tax increment financing (TIF) zone on an approximately 103 acre tract which allowed the financing and development of public open space to complement the development and allow citizens access to the Lake Ray Hubbard shore line. The City partnered with Rockwall County, and the Rockwall Economic Development Corporation to establish the TIF to finance the public projects. In a second project, the City is collaborating with an office tower developer who is planning construction of a seven-story, 85,000 square foot office tower overlooking the lake. The Harbor Heights Trend Tower will offer Class-A office space to its corporate tenants with construction beginning in 2013. In addition to office space, the tower will offer needed public parking for the Harbor events.

The City's extremely successful Concert on the Lake Series managed by the City's Recreation Department draws approximately 5,000 attendees each Thursday evening for a free concert. The series extended 12 weeks in 2012. Surveys conducted during the events gather data regarding the distance from which visitors traveled and approximate retail and restaurant dollars expended while here. The term "Live Music Capital of North Texas" has been coined to describe the many opportunities available year round in both public and restaurant venues.

Founder's Day on the Downtown Square draws visitors to shop merchant's wares, see artist's exhibits, learn about city departments and enjoy free concerts all day. The event culminates with a concert by a nationally recognized artist, also free to all who attend.

A Farmer's Market brings visitors downtown Saturdays from May to October. The City sponsors an Art Fair one Saturday each month. The fourth annual "Rib Rub" was held in fall 2012 drawing more than 50 teams to the downtown square. The Main Street Advisory Board and "Friends of Downtown Rockwall", citizen volunteer group, are working to plan more special events to bring shoppers downtown.

The City is fast becoming the triathlon destination as well. In addition to several locally sponsored races, the City for the third time welcomed the Toyota US Open Triathlon in fall 2012. The event saw more than 1,200 participants including a contingent of international Olympians

take advantage of our lake access and terrain to complete the final event of the annual seven race series. The City has been notified the event plans to return for 2013. Early series races will be held in cities including Chicago, Miami, Minneapolis and Tempe culminating with the Rockwall race and the final prize standings.

Utilities

The water and sewer rates were last increased in 2012 and the City is implementing a 10% rate increase for 2013. The City purchases treated water as a founding member city of the North Texas Municipal Water District. Construction is nearing completion for the Squabble Creek sewer system which will connect to the regional sewer interceptor system in early 2013. A number of main extension projects continue to be undertaken to provide water and sewer service to annexed areas of the City.

The City’s water system is recognized with the Texas Commission on Environmental Quality’s “Superior” rating.

The City is actively working to acquire the right to serve recently annexed areas which are currently served by wholesale water supply corporations and an investor owned utility. It remains the City’s desire to be the provider for all residents in our city limits. Negotiations with the investor owned utility are nearing culmination and the City is expected to complete acquisition of the private water and sewer system in 2013 resulting in increased service levels and decreased rates for a large neighborhood within the city’s limits.

Debt Administration: Two ratios traditionally used to analyze the debt structure of municipalities are presented below. Revenue debt has been excluded since system charges are used to retire the debt.

Outstanding General Obligation Debt at 9-30-12(net of Debt Service)	\$107,543,706
Estimated Population	38,586
G.O. Debt Per Capita	\$2,787
Net G.O. Debt per Assessed Value	3.43%

The City seeks a bond rating update as new debt is issued. The current ratings are shown below:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA-	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

AWARDS AND ACKNOWLEDGEMENTS

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

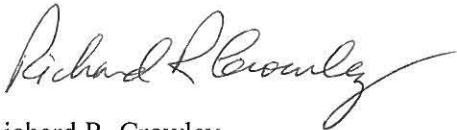
A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for each of the last twenty-two consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement:

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



Richard R. Crowley
City Manager



Mary P. Smith, CPA
Assistant City Manager/
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rockwall
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



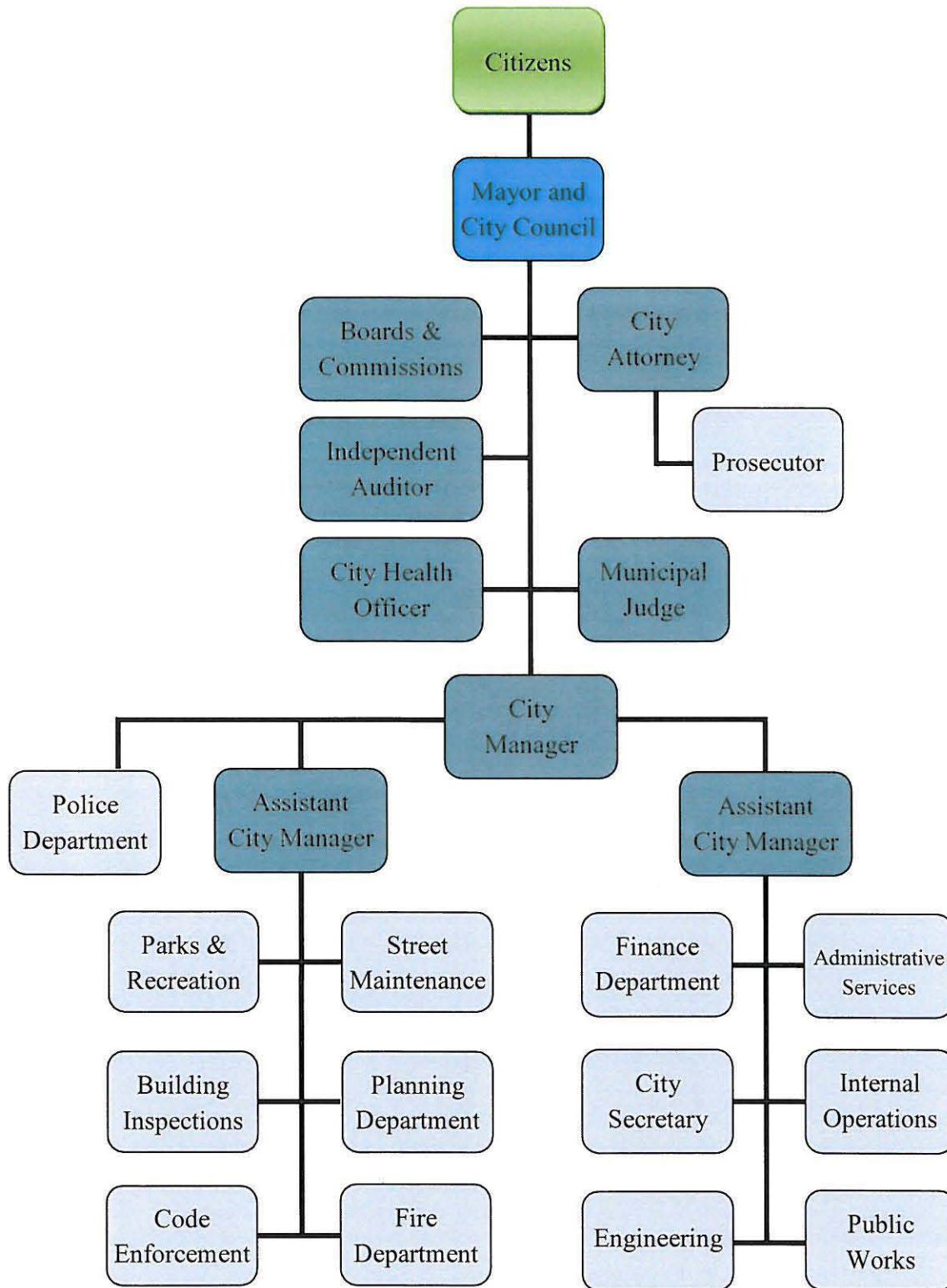
Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director

City of Rockwall Organization Chart



CITY OF ROCKWALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2012

City Council

David Sweet, Mayor
David White, Mayor Pro-Tempore
Bennie Daniels, Councilmember
Dennis Lewis, Councilmember
Jim Pruitt, Councilmember
Michelle Smith, Councilmember
Mike Townsend, Councilmember

City Staff

Rick Crowley, City Manager
Mary Smith, Assistant City Manager
Brad Griggs, Assistant City Manager
Cheryl Dunlop, Director of Administrative Services
Mark Moeller, Chief of Police
Mark Poindexter, Fire Chief
Robert LaCroix, Director of Community Development

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Financial Section

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

Independent Auditors' Report on Financial Statements

To the City Council
City of Rockwall, Texas

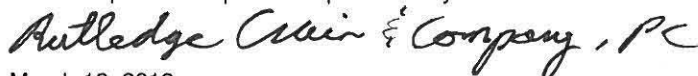
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Rockwall, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The City of Rockwall, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the The City of Rockwall, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19 through 29 and 74 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the The City of Rockwall, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


March 18, 2013

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Management's Discussion and Analysis

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Rockwall’s financial performance provides an overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City’s total net assets were \$171,710,000 at September 30, 2012.
- During the year, the City’s governmental activities expenses were \$45,323 more than the \$41,504,245 generated in program revenues, taxes, other revenues and transfers.
- The assets of the City of Rockwall attributable to governmental activities exceeded its liabilities at the close of the fiscal year ending September 30, 2012 by \$106,214,565 (net assets).
- At the end of this fiscal year, the unassigned fund balance for the general fund was \$9,916,841 or approximately 41.17 percent of the total general fund operating expenditures and transfers out.
- The City’s total outstanding general obligation bonds and certificates of obligation (excluding enterprise and component unit debt) increased by \$2,783,038 during fiscal year 2012. More detailed information is given in the notes section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City’s overall financial status.

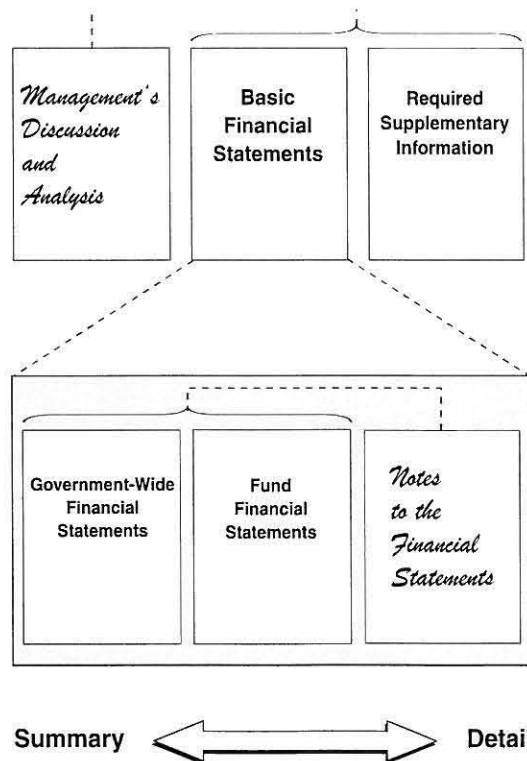
The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City’s operations in more detail than the government-wide statements.

The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City of Rockwall’s Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	Activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private business.
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of revenues, expenses & changes in fund net assets ◆ Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City of Rockwall’s finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city of Rockwall’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rockwall is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City’s property tax base and the condition of the City’s infrastructure, to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned but unused vacation leave. Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

Governmental activities – Most of the City’s basic services are reported here, including administration, police, fire, planning and zoning, finance, parks and recreation, municipal court and engineering. Property taxes, sales taxes, franchise fees and charges for services provide funds for most of the activities.

Business-type activities – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system is reported here.

Component Units – The City of Rockwall (the primary government) includes two discretely presented component units. The City’s Type A Sales Tax Corporation known as the Rockwall Economic Development Corporation and the Rockwall Technology Park Association. Although legally separate, The City of Rockwall is financially accountable for these component units. The City Council appoints the component unit’s Board of Directors, sets the budget and approves any debt issuance.

The government-wide financial statements can be found on pages 33-35 of this report.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds—not the City as a whole. *Funds* are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

Governmental funds—Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps users of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government’s near-term financing decisions. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The City of Rockwall maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, and G.O. Bonds Capital Projects fund, which are considered major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the governmental-wide statement but provide more detail and additional information such as cash flows, for proprietary funds. The Internal Service funds (the other component of proprietary funds) are utilized to report activities that provide services for the City’s self insurance funds. The Internal Service funds are reported as governmental activities in the government-wide financial statements.

The City of Rockwall maintains an Enterprise Fund to account for water and sewer services provided to the City’s retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operations, maintenance, debt service, capital improvements, billing and collection. The City’s intent is that all costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City maintains two internal service funds to account for funds accumulated to self-insure for health and workers compensation claims. Individual fund data for each of these business-type funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the financial statements-The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the City of Rockwall. This information is required by accounting principles generally accepted in the United States of America.

CONDENSED GOVERNMENT-WIDE FINANCIAL INFORMATION

At the end of fiscal year 2012, the City's net assets (assets exceeding liabilities) totaled \$171,710,000. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

The largest portion of the City's net assets (86.7% percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets which is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$34,910,868	\$ 37,419,515	\$13,708,924	\$16,369,447	\$ 48,619,792	\$53,788,962
Capital Assets	<u>187,014,473</u>	<u>187,275,164</u>	<u>91,249,536</u>	<u>92,286,719</u>	<u>278,264,009</u>	<u>279,561,883</u>
Total Assets	<u>221,925,341</u>	<u>224,694,679</u>	<u>104,958,460</u>	<u>108,656,166</u>	<u>326,883,801</u>	<u>333,350,845</u>
Non-current liabilities	111,946,918	114,930,360	36,974,865	39,106,304	148,921,783	154,036,664
Other liabilities	<u>3,763,858</u>	<u>3,504,431</u>	<u>2,488,160</u>	<u>2,292,626</u>	<u>6,252,018</u>	<u>5,797,057</u>
Total Liabilities	<u>115,710,776</u>	<u>118,434,791</u>	<u>39,463,025</u>	<u>41,398,930</u>	<u>155,173,801</u>	<u>159,833,721</u>
Net Assets						
Invested in capital assets,						
net of related debt	89,851,392	91,085,278	58,888,435	58,139,970	148,739,827	149,225,248
Restricted for debt service	1,574,681	1,774,193	2,306,207	462,368	3,880,888	2,236,561
Restricted for capital projects	14,549,511	-	-	2,529,923	14,549,511	2,529,923
Unrestricted	<u>238,981</u>	<u>13,400,417</u>	<u>4,300,793</u>	<u>6,124,975</u>	<u>4,539,774</u>	<u>19,525,392</u>
Total net assets	<u>\$106,214,565</u>	<u>\$106,259,888</u>	<u>\$65,495,435</u>	<u>\$67,257,236</u>	<u>\$171,710,000</u>	<u>\$173,517,124</u>

An additional portion of the City of Rockwall's governmental activities net assets, \$1,574,681 or 1.48% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets, \$238,891, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table will document key elements of the slight decrease in total net assets for the year ended September 30, 2012.

Table 2
Changes in Net Assets

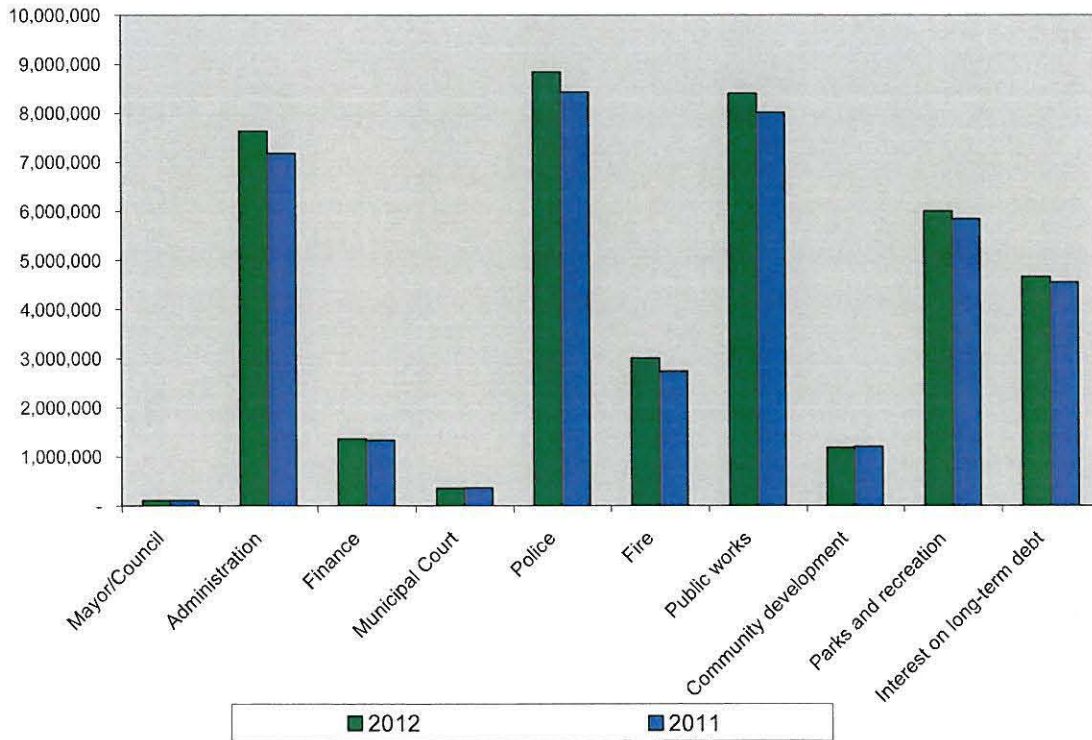
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 3,582,160	\$ 3,203,842	\$14,064,514	\$14,706,570	\$ 17,646,674	\$ 17,910,412
Operating grants & contributions	660,140	366,656	-	-	660,140	366,656
Capital grants & contributions	2,012,936	4,525,403	1,178,672	2,157,402	3,191,608	6,682,805
General Revenues:						
Property taxes	17,321,016	17,204,239	-	-	17,321,016	17,204,239
Sales taxes	12,720,023	11,526,555	-	-	12,720,023	11,526,555
Other	<u>3,613,020</u>	<u>3,011,917</u>	<u>139,212</u>	<u>238,819</u>	<u>3,752,232</u>	<u>3,250,736</u>
Total revenues	<u>39,909,295</u>	<u>39,838,612</u>	<u>15,382,398</u>	<u>17,102,791</u>	<u>55,291,693</u>	<u>56,941,403</u>
Program expenses:						
Mayor/Council	106,959	111,494	-	-	106,959	111,494
Administration	7,631,175	7,183,587	-	-	7,631,175	7,183,587
Finance	1,360,201	1,331,943	-	-	1,360,201	1,331,943
Municipal Court	358,745	362,149	-	-	358,745	362,149
Police	8,836,213	8,422,736	-	-	8,836,213	8,422,736
Fire	3,002,941	2,734,296	-	-	3,002,941	2,734,296
Public works	8,398,043	8,009,435	-	-	8,398,043	8,009,435
Community development	1,185,114	1,203,407	-	-	1,185,114	1,203,407
Parks and recreation	6,003,610	5,843,647	-	-	6,003,610	5,843,647
Interest on long-term debt	4,666,567	4,554,433	-	-	4,666,567	4,554,433
Water and sewer	-	-	<u>15,549,248</u>	<u>14,715,610</u>	<u>15,549,248</u>	<u>14,715,610</u>
Total expenses	<u>41,549,568</u>	<u>39,757,127</u>	<u>15,549,248</u>	<u>14,715,610</u>	<u>57,098,816</u>	<u>54,472,737</u>
Increase (decrease) in net assets						
before transfers	(1,640,273)	81,485	(166,850)	2,387,181	(1,807,123)	2,468,666
Transfers	<u>1,594,950</u>	<u>979,863</u>	<u>(1,594,950)</u>	<u>(979,863)</u>	-	-
Increase (decrease) in net assets	(45,323)	1,061,348	(1,761,800)	1,407,318	(1,807,123)	2,468,666
Net assets, October 1	<u>106,259,888</u>	<u>105,198,540</u>	<u>67,257,235</u>	<u>65,849,917</u>	<u>173,517,123</u>	<u>171,048,457</u>
Net assets, September 30	<u>\$106,214,565</u>	<u>\$106,259,888</u>	<u>\$65,495,435</u>	<u>\$67,257,235</u>	<u>\$ 171,710,000</u>	<u>\$ 173,517,123</u>

Governmental Activities

The City's total revenues of governmental activities were \$39,909,295. A significant portion 43.4% of the City's revenues came from property taxes. Another 31.9% of revenue came from sales taxes. Ad valorem property tax revenues as a percent of revenues continue to increase each year due to the addition of new properties with minor increases in assessed valuation throughout the City. Assessed values of the properties in the City increased by .11%. The City adopted a property tax rate of 50.31 cents per \$100 of assessed valuation for fiscal year 2012. The rate has remained steady for four years. Sales tax revenue increased over the prior year by 10.35% and while a small amount of retail was

added for 2012, it was most influenced by increases in same stores sales. While housing starts are not expected to be back to pre downturn levels they are trending upward. That coupled with the nearly 500,000 square feet of industrial space being added resulted in a 53.3% increase in building permit revenues. Over the past several years, Rockwall County, of which the City of Rockwall is the County seat, was one of the fastest growing counties in America, and the fastest growing county in Texas.

Comparative Expenses – Governmental Activities



The total cost of all programs and services were \$41,549,568. Of these costs \$8,836,213 (21.3%) was for the Police Department. The department has increased the number of sworn officers in the patrol division to maintain minimum staffing numbers per shift. Public Works costs were \$8,358,043 (20.2%) and reflected ongoing street and park maintenance focused projects. Administrative departments including Administration, Human Resources, and Internal Operations had combined costs of \$7,631,175 (18.4%).

Business-Type Activities

The City’s business-type activities recorded a decrease of \$1,761,800 in net assets. Retail water sales decreased by 4.35% from the prior year due to significant water conservation measures necessary due to an extremely hot and dry year coupled with unanticipated water supply restrictions from one of the area’s supply lakes. The City’s rates were increased in 2012 and another increase is expected for 2013. The City implemented conservation water rates in 2001 and increases them each time new rates are adopted. Sewer charges were not affected significantly because the City uses winter averaging to calculate sewer billing. Water and sewer charges were \$14,064,514. The ending working capital, excluding restricted assets and liabilities payable from restricted assets, for the water and sewer fund was \$2,186,509.

Water and sewer impact fees (Capital recovery fees) revenue totaled \$595,899 for the fiscal year. Impact fees, paid by developers, are designed to reduce the system’s initial costs in building assets.

Residential development is assessed an impact fee at the building permit stage while commercial projects are assessed at the beginning of site development.

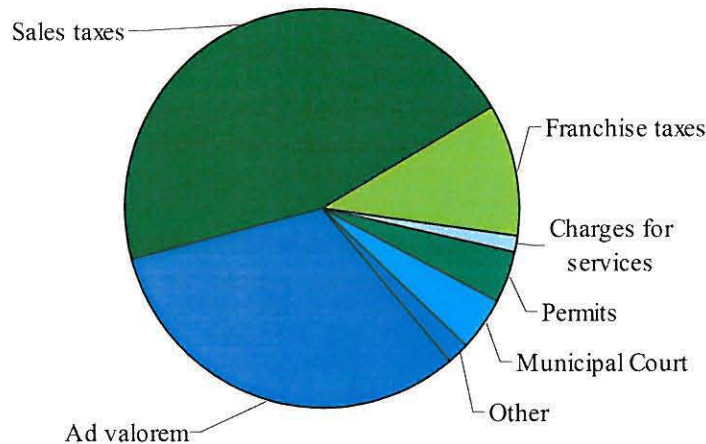
Component Units

The Rockwall Economic Development Corporation (REDC) reported revenues including the ½ cent sales tax, authorized under the Type A Corporation statutes, of \$4,356,285. Assets managed by the corporation include an inventory of over 310 acres of land, zoned for light industrial uses and available for sale. The REDC continues to attract companies to the City through its marketing efforts and ability to match businesses to available land.

ANALYSIS OF INDIVIDUAL FUNDS

The City’s *General Fund* reported an ending unassigned fund balance of \$9,916,841. The largest source of general fund revenue is sales tax, it accounted for \$12,140,716 (45.6%) of total general fund revenue. Ad valorem property taxes account for \$8,551,996 (32.0%) of general fund revenues. The City maintains the unassigned fund balance at or above acceptable levels as defined within the City’s financial policies. This “reserve” balance allows the City Council to elect to fund projects unforeseen during the budgeting process and provides a measure of security against changes in the economy and the timing of cash flows. The City Council elected to use reserves to purchase an existing building to move municipal court and to remodel the current police station. This planned use of reserves for projects totaled \$2,064,000. The City’s revenues increased sufficiently during the year that the net impact to fund balance was a reduction of only \$169,155 from the prior year.

Revenues by Source – General Fund



The City’s *Debt Service Fund* reported a reduction in fund balance of \$205,071. Property tax collections for debt service requirements were \$8,249,039. This is required in order to pay debt service payments on bonds issued to construct numerous road and parks projects completed since the City’s bond election in 2005 authorized more than \$65,031,000 in projects. After extensive study, the City adopted a Roadway Impact Fee which provided \$588,159 in new revenue to this fund in fiscal year 2012. The City’s budgeting practices for the debt service fund allow the use of reserves to mediate the effect of new debt issues on the property tax rate.

The *G.O. Bonds Capital Projects Fund* reported an assigned fund balance of \$8,915,955, a reduction of \$970,622 from the prior year. Bond proceeds were used to complete the construction of the Airport

Road during fiscal year 2012. Projects underway during 2013 include the reconstruction of Corporate Crossing and street lighting projects on recently completed roadways.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2012, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. The City purchased an existing office building to remodel for municipal court purposes which was unanticipated when the budget was prepared. With the adjustments made to the budget, the original budgeted expenditures of \$22,918,950 increased to \$24,492,400 while revenues increased from \$24,393,000 to \$25,730,200. The City of Rockwall had originally estimated the ending general fund unassigned balance to be \$10,087,116 however due to the budget adjustments mentioned above and the planned reduction in fund balance for municipal court and police department office space remodels, the fund balance was re-estimated to be \$8,572,016.

General fund revenues were \$26,621,592, a positive variance of \$891,391 over the amended budget estimate, reflecting strong than anticipated sales tax collections and increased building permit revenues resulting from new industrial projects and a small increase in housing starts. Actual general fund total expenditures were \$24,087,970 or \$404,430 less than final projections. Expenditures for administration and public works increased as a result of an internal reorganization which caused a one-time compensation increase being recognized by the City. The City ended the year with a fund balance of \$9,894,923, or \$1,322,907 over the projected balance. The higher fund balance is attributable to management's conservative projections of both revenues and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012 the City had \$278,264,009 (Table 3) invested in a broad range of capital assets, including buildings, parks facilities, roads, police and fire equipment and water and sewer lines. The balances shown below are net of accumulated depreciation.

Table 3
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 14,102,412	\$ 14,102,412	\$ 799,533	\$ 799,533	\$ 14,901,945	\$ 14,901,945
Buildings & systems	13,608,864	13,451,182	82,013,525	79,136,653	95,622,389	92,587,835
Improvements other than buildings	20,229,910	20,297,789	-	-	20,229,910	20,297,789
Machinery & equipment	4,627,960	4,358,962	1,175,931	1,064,379	5,803,891	5,423,341
Infrastructure	124,498,981	123,244,231	-	-	124,498,981	123,244,231
Construction in progress	9,946,346	11,820,588	7,260,547	11,286,154	17,206,893	23,106,742
	<u>\$187,014,473</u>	<u>\$ 187,275,164</u>	<u>\$ 91,249,536</u>	<u>\$ 92,286,719</u>	<u>\$278,264,009</u>	<u>\$279,561,883</u>

The City's capital improvement program included a number of voter authorized projects to construct new streets and reconstruct several older city streets. Many of those projects were completed prior to 2012. Airport Road was completed in 2012 causing a reduction in construction in progress. New projects underway in 2012 include the widening and reconstruction of Corporate Crossing.

The City held a bond election in May 2012 at which voters approved propositions to fund several street reconstruction projects as well as infrastructure and accessibility projects in the downtown area in excess of \$27,800,000. Design is in progress on the downtown improvements with roadway design not expected to start until later in 2014.

Notably, the construction in progress at fiscal year end for business-type funds includes the construction of a project to connect the Squabble Creek treatment plan to the regional wastewater interceptor project which is nearing completion in early 2013. Several projects to extend and improve service were completed during the year reducing construction in progress.

Additional information regarding the City’s capital assets is found in note IV-D on pages 57-59.

Debt

At year end, the City had \$147,020,035 in bonds and capitalized leases shown in Table 4.

**Table 4
City of Rockwall Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 84,675,708	\$ 88,473,746	\$ 69,292	\$ 91,254	\$ 84,745,000	\$ 88,565,000
Certificates of obligation	24,065,000	23,050,000	27,145,000	28,205,000	51,210,000	51,255,000
Revenue bonds	-	-	4,550,000	5,215,000	4,550,000	5,215,000
Capital Lease obligations	<u>193,292</u>	<u>236,589</u>	<u>6,321,743</u>	<u>6,710,080</u>	<u>6,515,035</u>	<u>6,946,669</u>
	<u>\$ 108,934,000</u>	<u>\$ 111,760,335</u>	<u>\$ 38,086,035</u>	<u>\$ 40,221,254</u>	<u>\$ 147,020,035</u>	<u>\$ 151,981,669</u>

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net tax-supported bonded debt to assessed value of all taxable property is 3.43% or \$2,787 per capita. This is a decrease from the prior year with the year’s scheduled principal payments in 2012 and limited new debt issuance.

The City’s bond ratings at September 30, 2012 were as follows:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Sales Tax(REDC)</u>
Standard & Poor’s Rating Group	AA-	A-	A-
Moody’s Investor Service Inc.	Aa2	Aa3	A1

Additional information on the City of Rockwall’s long-term debt can be found in note IV-F, on pages 60-67 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rate, and fees that will be charged for the business-type activities. The major factor affecting all decisions has been and will continue to be the slowed growth in our community and the impact of the recovering national economy. Rockwall saw a small number of new commercial/retail business openings in 2012 which would positively impact sales tax revenues in fiscal year 2013. With this in mind and to continue the City’s conservative budget philosophy, sales tax projections were increased by only 5%. Only modest increases in projecting

building permit revenues were used to continue to budget conservatively as well. Industrial building projects are in the early stages which should positively impact permit revenues in 2013. Interviews with local builders led the City to project continued slow home starts for the coming year but developers are reporting they will be beginning the infrastructure for new subdivision phases in the coming year.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Ft.Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 5.1%, well below the national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2013. The budgeted revenues for fiscal year 2013 total \$26,215,750 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was lowered slightly to 50.25 cents per hundred dollars of assessed value.

The City adopted written financial policies in 2001 which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The budget as adopted for fiscal year 2013 projects a fund balance of approximately 4.25 months of recurring operating expenditures. The City anticipates the construction of City hall parking and improved driveway access for the police building with a portion of these available reserves as well as additional street maintenance projects and the addition of a number of emergency weather warning sirens to our system.

The 2013 budget expenditures includes absorbing the increasing costs of employee health and retirement costs as well as increasing street maintenance expenditures and the addition of four sworn police positions and two fire driver positions. The Finance/Human Resources/Utility Billing software will be upgraded in the new budget.

The water and sewer rate study has been updated and the budget anticipates a 10% increase in those rates. A number of capital projects to replace older lines and to provide service to new areas are being planned for fiscal year 2013. The City's revenues were impacted by mandatory conservation measures in effect in 2012. With those measures eased, system consumption and sales revenues are expected to correct to more normal levels. In the event that significant conservation measures are again warranted then operational costs will be closely monitored and controlled to correspond with to reduction in available revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email msmith@rockwall.com.

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Basic Financial Statements

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CITY OF ROCKWALL, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Cash and cash equivalents</i>	\$ 1,585,912	\$ 57,169	\$ 1,643,081	\$ 1,164,986
<i>Investments</i>	26,463,581	1,178,929	27,642,510	3,774,657
<i>Receivables (net of allowances for uncollectibles)</i>	3,055,917	2,728,380	5,784,297	17,550
<i>Internal balances</i>	--	--	--	--
<i>Due from other governments</i>	2,111,213	--	2,111,213	703,737
<i>Due from component unit</i>	146,987	--	146,987	--
<i>Inventories</i>	1,120	194,824	195,944	11,012,689
<i>Prepaid items</i>	--	413,584	413,584	--
Restricted assets:				
<i>Cash and cash equivalents</i>	--	1,100,382	1,100,382	--
<i>Investments</i>	--	7,645,882	7,645,882	--
<i>Accrued interest</i>	--	1,733	1,733	--
<i>Deferred charges</i>	1,515,705	388,041	1,903,746	179,534
Capital assets (net of accumulated depreciation)				
<i>Land</i>	14,102,412	799,533	14,901,945	--
<i>Buildings and system</i>	13,608,864	82,013,525	95,622,389	--
<i>Improvements other than buildings</i>	20,229,910	--	20,229,910	--
<i>Machinery and equipment</i>	4,627,960	1,175,931	5,803,891	18,274
<i>Infrastructure</i>	124,498,981	--	124,498,981	--
<i>Construction in progress</i>	9,946,346	7,260,547	17,206,893	--
Total Assets	221,894,908	104,958,460	326,853,368	16,871,427
LIABILITIES				
<i>Accounts payable and accrued liabilities</i>	3,554,245	1,037,144	4,591,389	326,567
<i>Unearned revenue</i>	29,979	--	29,979	--
<i>Due to other governments</i>	179,634	--	179,634	--
<i>Due to primary government</i>	--	--	--	146,987
<i>Customer deposits</i>	--	320,250	320,250	--
<i>Liabilities payable from restricted assets -</i>				
<i>Due within one year</i>	--	1,130,766	1,130,766	--
Noncurrent liabilities:				
<i>Due within one year</i>	5,732,100	1,128,689	6,860,789	1,299,730
<i>Due in more than one year</i>	106,214,818	35,846,176	142,060,994	16,077,269
Total Liabilities	115,710,776	39,463,025	155,173,801	17,850,553
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	89,851,392	58,888,435	148,739,827	18,274
Restricted For:				
Debt Service	1,544,248	2,306,207	3,850,455	--
Capital Projects	14,549,511	--	14,549,511	--
Unrestricted	238,981	4,300,793	4,539,774	(997,400)
Total Net Assets	\$ 106,184,132	\$ 65,495,435	\$ 171,679,567	\$ (979,126)

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
Mayor/Council	\$ 106,959	\$ --	\$ --	\$ --
Administration	7,631,175	136,259	96,131	878,683
Finance	1,360,201	--	--	--
Municipal court	358,745	1,179,016	--	--
Police	8,836,213	463,565	545,937	--
Fire	3,002,941	120,205	8,072	33,188
Public works	8,398,043	129,562	--	1,083,532
Community development	1,185,114	1,125,092	10,000	--
Parks and recreation	6,003,610	428,461	--	17,533
Interest on long-term debt	4,666,567	--	--	--
Total governmental activities	41,549,568	3,582,160	660,140	2,012,936
Business-type Activities:				
Water and Sewer	15,549,248	14,064,514	--	1,178,672
Total Business-type Activities	15,549,248	14,064,514	--	1,178,672
Total Primary Government	\$ 57,098,816	\$ 17,646,674	\$ 660,140	\$ 3,191,608
COMPONENT UNITS:				
Economic Development Corporation	\$ 6,265,271	\$ 250,686	\$ --	\$ --
Rockwall Technology Park Association	166,239	164,828	--	--
Total Component Units	\$ 6,431,510	\$ 415,514	\$ --	\$ --
General Revenues:				
Ad valorem taxes, penalty and interest				
Sales Taxes				
Franchise Taxes				
Miscellaneous				
Unrestricted Investment Earnings				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units
\$ (106,959)		\$ (106,959)	
(6,520,102)		(6,520,102)	
(1,360,201)		(1,360,201)	
820,271		820,271	
(7,826,711)		(7,826,711)	
(2,841,476)		(2,841,476)	
(7,184,949)		(7,184,949)	
(50,022)		(50,022)	
(5,557,616)		(5,557,616)	
(4,666,567)		(4,666,567)	
<u>(35,294,332)</u>		<u>(35,294,332)</u>	
--	\$ (306,062)	(306,062)	
--	(306,062)	(306,062)	
<u>(35,294,332)</u>	<u>(306,062)</u>	<u>(35,600,394)</u>	
			\$ (6,014,585)
			(1,411)
			<u>(6,015,996)</u>
17,290,583	--	17,290,583	--
12,720,023	--	12,720,023	4,099,389
2,821,451	--	2,821,451	--
676,981	128,885	805,866	149
114,588	10,327	124,915	6,094
1,594,950	(1,594,950)	--	--
<u>35,218,576</u>	<u>(1,455,738)</u>	<u>33,762,838</u>	<u>4,105,632</u>
(75,756)	(1,761,800)	(1,837,556)	(1,910,364)
106,259,888	67,257,235	173,517,123	931,238
<u>\$ 106,184,132</u>	<u>\$ 65,495,435</u>	<u>\$ 171,679,567</u>	<u>\$ (979,126)</u>

CITY OF ROCKWALL, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Debt Service Fund
ASSETS		
<i>Cash and cash equivalents</i>	\$ 48,916	\$ 1,144,008
<i>Investments</i>	8,199,973	32,081
Receivables (net of allowances for uncollectibles):		
<i>Taxes - delinquent</i>	218,844	214,950
<i>Fines</i>	217,864	--
<i>Accrued interest</i>	10,273	--
<i>Accounts receivable</i>	153,402	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	198,772	--
<i>Due from other funds</i>	557,092	--
<i>Due from other governments</i>	2,067,847	--
<i>Due from component unit</i>	--	--
<i>Inventory</i>	1,120	--
Total Assets	\$ 11,674,103	\$ 1,391,039
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,021,978	\$ --
<i>Deferred revenue</i>	554,529	169,838
<i>Due to other funds</i>	--	--
<i>Due to other governments</i>	179,635	--
Total Liabilities	1,756,142	169,838
Fund balances:		
<i>Nonspendable</i>	1,120	--
<i>Restricted</i>	--	1,221,201
<i>Committed</i>	--	--
<i>Assigned</i>	--	--
<i>Unassigned</i>	9,916,841	--
Total fund balances	9,917,961	1,221,201
Total Liabilities and Fund Balances	\$ 11,674,103	\$ 1,391,039

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,008	\$ 318,825	\$ 1,512,757
8,443,669	9,230,492	25,906,215
--	55,690	489,484
--	--	217,864
6,335	8,351	24,959
--	875,463	1,028,865
--	80,660	80,660
--	3,311	202,083
--	--	557,092
--	43,366	2,111,213
--	146,987	146,987
--	--	1,120
<u>\$ 8,451,012</u>	<u>\$ 10,763,145</u>	<u>\$ 32,279,299</u>
\$ 505,679	\$ 861,294	\$ 2,388,951
--	166,330	890,697
--	149,323	149,323
--	--	179,635
<u>505,679</u>	<u>1,176,947</u>	<u>3,608,606</u>
--	--	1,120
--	259,927	1,481,128
--	2,722,094	2,722,094
7,945,333	6,604,177	14,549,510
--	--	9,916,841
<u>7,945,333</u>	<u>9,586,198</u>	<u>28,670,693</u>
<u>\$ 8,451,012</u>	<u>\$ 10,763,145</u>	<u>\$ 32,279,299</u>

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CITY OF ROCKWALL, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 28,670,693
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	187,014,473
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	399,912
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	(112,780)
Payables for bond principal which are not due in the current period are not reported in the funds.	(110,534,543)
Payables for capital leases which are not due in the current period are not reported in the funds.	(193,299)
Payables for bond interest which are not due in the current period are not reported in the funds.	(735,784)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,219,076)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,515,706
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	191,026
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	918,023
Contract receivables unavailable to pay for current period expenditures are deferred in the funds.	189,121
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	80,660
Net assets of governmental activities - Statement of Net Assets	\$ <u>106,184,132</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund
Revenues:		
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,551,996	\$ 8,249,039
<i>Sales taxes</i>	12,140,716	--
<i>Franchise taxes</i>	2,879,585	--
<i>Charges for services</i>	338,975	--
<i>Permits</i>	1,076,770	--
<i>Municipal court</i>	1,141,742	--
<i>Intergovernmental</i>	377,775	--
<i>Interest income</i>	27,144	1,210
<i>Miscellaneous</i>	109,927	588,159
<i>Donations</i>	--	--
Total revenues	<u>26,644,630</u>	<u>8,838,408</u>
Expenditures:		
Current:		
<i>Mayor/Council</i>	106,958	--
<i>Administration</i>	3,405,096	--
<i>Finance</i>	1,032,733	--
<i>Municipal court</i>	337,537	--
<i>Police</i>	8,163,231	112,789
<i>Fire</i>	2,303,951	--
<i>Public works</i>	2,285,737	--
<i>Community development</i>	1,164,786	--
<i>Parks and recreation</i>	4,542,705	--
Total current	<u>23,342,734</u>	<u>112,789</u>
Capital outlay:		
<i>Administration</i>	724,318	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	20,918	--
Total capital outlay	<u>745,236</u>	<u>--</u>
Debt service:		
<i>Principal</i>	--	4,788,038
<i>Interest</i>	--	4,133,852
<i>Fiscal charges</i>	--	8,800
<i>Bond issuance cost</i>	--	--
Total debt service:	<u>--</u>	<u>8,930,690</u>
Total expenditures	<u>24,087,970</u>	<u>9,043,479</u>
Excess (deficiency) of revenues over (under) expenditures	2,556,660	(205,071)
Other financing sources (uses):		
<i>Transfers in</i>	689,185	--
<i>Transfers out</i>	(3,415,000)	--
<i>Issuance of long-term debt</i>	--	--
Total other financing sources (uses)	<u>(2,725,815)</u>	<u>--</u>
Net change in fund balances	(169,155)	(205,071)
Fund balances, October 1	10,087,116	1,426,272
Fund balances, September 30	<u>\$ 9,917,961</u>	<u>\$ 1,221,201</u>

The accompanying notes are an integral part of this statement.

G.O. Bonds Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 507,330	\$ 17,308,365
--	579,307	12,720,023
--	--	2,879,585
--	1,044,183	1,383,158
--	--	1,076,770
--	--	1,141,742
--	458,173	835,948
31,859	54,375	114,588
--	97,064	795,150
118,412	608,949	727,361
150,271	3,349,381	38,982,690
--	--	106,958
--	285,071	3,690,167
--	213,057	1,245,790
--	--	337,537
--	23,494	8,299,514
--	43,328	2,347,279
--	--	2,285,737
--	--	1,164,786
--	146,472	4,689,177
--	711,422	24,166,945
1,120,893	4,803,723	6,648,934
--	224,306	224,306
--	465,169	465,169
--	368,805	368,805
--	465,241	486,159
1,120,893	6,327,244	8,193,373
--	145,000	4,933,038
--	686,331	4,820,183
--	--	8,800
--	44,305	44,305
--	875,636	9,806,326
1,120,893	7,914,302	42,166,644
(970,622)	(4,564,921)	(3,183,954)
--	1,527,850	2,217,035
--	(87,085)	(3,502,085)
--	2,150,000	2,150,000
--	3,590,765	864,950
(970,622)	(974,156)	(2,319,004)
8,915,955	10,560,354	30,989,697
\$ 7,945,333	\$ 9,586,198	\$ 28,670,693

CITY OF ROCKWALL, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (2,319,004)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	7,988,223
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,332,445)
Donations of capital assets increase net assets in the SOA but not in the funds.	1,083,532
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(17,783)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	44,305
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,933,038
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	43,290
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(95,069)
(Increase) decrease in accrued interest from beginning of period to end of period.	162,416
The net revenue (expense) of internal service funds is reported with governmental activities.	(314,102)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	67,419
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	49,887
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(15,456)
Revenues in the SOA for franchise taxes not providing current financial resources are not reported in the funds.	(58,134)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,150,000)
Certain contract revenues are deferred in the funds. This is the change in these amounts this year.	(145,873)
Change in net assets of governmental activities - Statement of Activities	\$ (75,756)

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
<i>Cash and cash equivalents</i>	\$ 57,169	\$ 73,154
<i>Investments</i>	1,178,929	557,366
<i>Accounts receivable (net of allowance)</i>	2,728,380	--
<i>Other receivables</i>	--	93,979
<i>Inventory</i>	194,824	--
<i>Prepaid items</i>	413,584	--
Restricted assets:		
<i>Cash and cash equivalents</i>	1,100,382	--
<i>Investments</i>	7,645,882	--
<i>Accrued interest</i>	1,733	--
Total current assets	13,320,883	724,499
Noncurrent assets:		
<i>Deferred charges</i>	388,041	--
<i>Capital assets not being depreciated</i>	8,060,080	--
<i>Capital assets being depreciated, net</i>	83,189,456	--
Total noncurrent assets	91,637,577	--
Total Assets	104,958,460	724,499
LIABILITIES		
Current Liabilities:		
<i>Accounts payable and accrued liabilities</i>	1,037,144	429,510
<i>Due to other funds</i>	--	407,769
<i>Customer deposits</i>	320,250	--
<i>General obligation bonds - current</i>	1,136,962	--
<i>Liability for compensated absences - current</i>	12,467	--
Liabilities Payable From Restricted Assets:		
<i>Revenue bonds payable - current</i>	685,000	--
<i>Obligations under capital leases - current</i>	411,671	--
<i>Accrued interest payable</i>	34,095	--
Total current liabilities	3,637,589	837,279
Noncurrent Liabilities:		
<i>General obligation bonds payable</i>	26,077,330	--
<i>Revenue bonds payable</i>	3,737,167	--
<i>Obligations under capital leases payable</i>	5,910,071	--
<i>Liability for compensated absences</i>	100,868	--
Total noncurrent liabilities	35,825,436	--
Total Liabilities	39,463,025	837,279
NET ASSETS		
<i>Invested in capital assets, net of related debt</i>	58,888,435	--
<i>Restricted for debt service</i>	2,306,207	--
<i>Unrestricted</i>	4,300,793	(112,780)
Total Net Assets	\$ 65,495,435	\$ (112,780)

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES:		
<i>Charges for services</i>	\$ 14,064,514	\$ 535,428
<i>Reinsurance reimbursement</i>	--	289,045
Total Operating Revenues	14,064,514	824,473
OPERATING EXPENSES:		
<i>Personnel services</i>	1,968,779	--
<i>Contractual services</i>	8,493,172	4,027,503
<i>Materials and supplies</i>	469,561	--
<i>Operations</i>	139,570	--
<i>Utilities</i>	392,575	--
<i>Depreciation and amortization</i>	2,206,124	--
Total Operating Expenses	13,669,781	4,027,503
Operating Income (Loss)	394,733	(3,203,030)
NON-OPERATING REVENUES (EXPENSES):		
<i>Capital recovery fees</i>	595,899	--
<i>Interest income</i>	19,968	46
<i>Miscellaneous income</i>	128,885	8,882
<i>Paying agent fees</i>	(42,844)	--
<i>Interest expense</i>	(1,836,623)	--
Total Non-operating Revenues (Expenses)	(1,134,715)	8,928
Net Income (Loss) before Operating Transfers	(739,982)	(3,194,102)
TRANSFERS AND CAPITAL CONTRIBUTIONS:		
<i>Capital contributions</i>	573,132	--
<i>Transfers in</i>	--	2,880,000
<i>Transfers out</i>	(1,594,950)	--
Total Transfers and Capital Contributions	(1,021,818)	2,880,000
Change in net assets	(1,761,800)	(314,102)
Net assets, October 1	67,257,235	201,322
Net assets, September 30	\$ 65,495,435	\$ (112,780)

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Business Type Activities Enterprise Water and Sewer Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 13,956,556	\$ 802,419
Cash Payments to Employees for Services	(2,283,695)	--
Cash Payments to Other Suppliers for Goods and Services	(9,347,003)	(4,023,784)
Net Cash Provided (Used) by Operating Activities	<u>2,325,858</u>	<u>(3,221,365)</u>
Cash Flows from Non-capital Financing Activities:		
Cash Paid to Other Funds	(1,594,950)	--
Cash Received From Other Funds	--	3,030,812
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,594,950)</u>	<u>3,030,812</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt	--	--
Principal and Interest Paid	(3,203,923)	--
Capital recovery fees received	595,899	--
Acquisition or Construction of Capital Assets	(1,315,103)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(3,923,127)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(1,480,266)	(92,325)
Proceeds from Sale and Maturities of Securities	4,039,673	266,686
Interest and Dividends on Investments	19,968	46
Net Cash Provided (Used) for Investing Activities	<u>2,579,375</u>	<u>174,407</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(612,844)	(16,146)
Cash and Cash Equivalents at Beginning of Year	8,963,956	543,638
Cash and Cash Equivalents at End of Year	8,351,112	527,492
Cash Equivalents Included in Investments	(7,193,561)	(454,338)
Net Cash and Cash Equivalents	<u>\$ 1,157,551</u>	<u>\$ 73,154</u>
Reported on Statement of Net Assets		
Unrestricted cash	\$ 57,169	\$ 73,154
Restricted cash	1,100,382	--
	<u>\$ 1,157,551</u>	<u>\$ 73,154</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 394,733	\$ (3,203,030)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,206,124	--
Miscellaneous Income	128,885	8,882
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(255,285)	(30,936)
Decrease (Increase) in Inventories	83,141	--
Decrease (Increase) in Prepaid Items	(413,584)	--
Increase (Decrease) in Accounts Payable and Accrued Liabilities	162,081	3,719
Increase (Decrease) in Customer Deposits	9,880	--
Increase (Decrease) in Compensated Absences	9,883	--
Total Adjustments	<u>1,931,125</u>	<u>(18,335)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,325,858</u>	<u>\$ (3,221,365)</u>
Non-Cash Activities:		
Capital Contributions	<u>\$ 573,132</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

CITY OF ROCKWALL, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2012

	Agency Fund	Special Escrow Agency
ASSETS		
<i>Cash and cash equivalents</i>	\$ 266,539	
<i>Investments</i>	943,460	
<i>Accrued interest</i>	10,361	
Total Assets	<u>1,220,360</u>	
LIABILITIES		
<i>Due to developers</i>	1,220,360	
Total Liabilities	<u>1,220,360</u>	
NET ASSETS		
Total Net Assets	\$ --	

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Rockwall, Texas, was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City.

The accounting policies of the City of Rockwall, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City of Rockwall is a home rule municipality governed by an elected mayor and six member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Discretely Presented Component Units

The Rockwall Economic Development Corporation (REDC) is governed by a nine member board of directors appointed, at will, by the City Council. REDC represents the City by promoting it as a location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities.

The Rockwall Technology Park (RTP) provides repair and maintenance of the common area within the park being developed by REDC. RTP's board of directors is composed of representatives of the landowners. At September 30, 2012, REDC owned the majority of the land and the board was therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discrete component unit of the City.

The funds of both REDC and RTP are composed of governmental fund types. Stand alone financial statements for RTP as of and for the fiscal year ended September 30, 2012 are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *G.O. Bonds Capital Projects Fund* was established to account for street and drainage projects using proceeds from the issuance of bonds.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

Internal Service Funds account for employees' health insurance, and worker's compensation coverage services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Capital Projects Funds account for the acquisition of capital assets or the construction of major capital projects (such as streets and sidewalks) not being financed by proprietary funds.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

- a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

- c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.
- d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.
- e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:
 - (1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,
 - (2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or
 - (3) Secured in any other manner in an amount provided by law for deposits of the City.
- f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.
- g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.
- h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.
- i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of \$1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.
- j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.
- k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

The City holds various mortgage backed securities that offer higher yields but are sensitive to changes in interest rates and other market conditions. Timely payment of interest and principal are guaranteed by federal agencies. The City will not be required to sell these securities prior to maturity barring an event that would be isolated, nonrecurring, unusual, and could not reasonably be anticipated by the City. The City has no borrowed funds used for investing or reverse repurchase agreements.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Rockwall County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2012

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 30 years
Building Improvements	20 - 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of 3 days sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of 3 days sick leave to one day vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of 3 days sick leave to one day vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used. The City has not established a formal policy to set forth a minimum level for fund balances.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$1,515,706 difference are as follows:

Bonds issuance costs:	
City	<u>\$1,515,706</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore the fund level is the legal level of control.
4. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, certain Special Revenue Funds and the Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted or as amended by the City Council. During 2012, individual amendments were not material in relation to the original appropriations. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.
6. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

Emergency Siren Fund
Downtown Improvement Fund
Art in Public Places Fund
Special Crimes Unit Fund

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

7. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

B. Deficit fund equity

The following fund had a deficit fund balance at September 30, 2012:

Employee Benefits Internal Service Fund	\$604,726
---	-----------

The deficit in the Employee Benefits fund was caused by unanticipated health care cost increases, and will be covered by additional transfers from the general fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At September 30, 2012, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Under a contractual agreement with North Texas Municipal Water District (NTMWD), depository accounts are maintained by NTMWD for interest and sinking, debt, and construction reserves totaling \$728,857 which are separately insured or secured by collateral pledged by NTMWD's depository. This amount is included in restricted cash on the statement of net assets.

The deposits of REDC and RTPA are covered by the City's depository contract and, therefore, at September 30, 2012, these deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the deposits of REDC and RTPA were not exposed to custodial credit risk.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Investments

At September 30, 2012, the City's investments were:

	Carrying Value	Maturity (months)			
		Less than 1	2-6	7-12	13-24+
Primary Government					
U.S. Government Agencies					
Federal Home Loan Mortgage Corp.	\$4,408,769	\$ --	\$ --	\$ --	\$4,408,769
Federal National Mortgage Asso.	2,025,678	--	--	--	2,025,678
Treasury bills and notes	1,112,129	--	--	--	1,112,129
	7,546,576	--	--	--	7,546,576
Money Market Funds	28,685,276	28,685,276	--	--	--
Total Primary Government	36,231,852	28,685,276	--	--	7,546,576
Discrete Component Units					
Rockwall Economic Development Corporation					
Money Market Funds	3,734,243	3,734,243	--	--	--
Rockwall Technology Park					
Money Market Funds	40,414	40,414	--	--	--
Total Discrete Component Units	3,774,657	3,774,657	--	--	--
Total Reporting Entity	<u>\$40,006,509</u>	<u>\$32,459,933</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$7,546,576</u>

Investments are reported in the

Statement of net assets as follows:

Governmental activities	\$26,463,581
Business-type activities	8,824,811
Fiduciary Fund	943,460

Discrete component units:

Rockwall Economic Development Corporation	
Development Corporation	3,734,243
Rockwall Technology Park	40,414
	<u>\$40,006,509</u>

The City has invested with money market funds with ratings from Aaa to AAA.

CITY OF ROCKWALL, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended September 30, 2012

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	GO Bonds Capital	Nonmajor and Other	Water and Sewer	Internal Service
Taxes receivable - delinquent	\$203,253	\$214,950	\$ --	\$ --	\$ --	\$ --
Fines receivable	\$345,215	\$ --	\$ --	\$ --	\$ --	\$ --
Allowance for uncollectibles	(127,351)	--	--	--	--	--
	\$217,864	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Interest	\$10,273	\$ --	\$6,335	\$8,351	\$ --	\$ --
Accounts receivable	\$153,402	\$ --	\$ --	\$875,463	\$3,327,158	\$ --
Allowance for uncollectibles	--	--	--	--	(598,778)	--
Net other receivables	\$153,402	\$ --	\$ --	\$875,463	\$2,728,380	\$ --
Assessments receivable	\$ --	\$ --	--	\$80,660	\$ --	\$ --
Other receivables	\$198,772	\$ --	\$ --	\$3,311	\$ --	\$93,979

C. Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$174,384	\$ --
Contract receivable not yet due (General Fund)	189,120	--
Fines receivable (General Fund)	191,025	--
Delinquent property taxes receivable (Debt Service Fund)	169,838	--
Delinquent property taxes receivable (Harbor Debt Service)	55,690	--
Assessments receivable not yet due (Street improvements)	80,660	--
Seizures not awarded (Special Crimes Unit)	29,980	29,979
Total deferred/unearned revenue for governmental funds	\$890,697	\$29,979

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

D. Capital assets

Capital asset activity for the year ended September 30, 2012:

Primary Government

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$14,102,412	\$ --	\$ --	--	\$14,102,412
Construction in progress	11,820,588	5,908,954	--	(7,783,196)	9,946,346
Total capital assets not being depreciated	25,923,000	5,908,954	--	(7,783,196)	24,048,758
Capital assets, being depreciated:					
Buildings	17,460,462	745,236	--	--	18,205,698
Improvements other than buildings	26,755,323	138,856	--	1,318,013	28,212,192
Machinery and equipment	13,464,680	1,195,177	(287,643)	281,223	14,653,437
Infrastructure	176,677,312	1,083,531	--	6,183,960	183,944,803
Total capital assets being depreciated	234,357,777	3,162,800	(287,643)	7,783,196	245,016,130
Less accumulated depreciation for:					
Buildings	(4,009,280)	(587,554)	--	--	(4,596,834)
Improvements other than buildings	(6,457,534)	(1,524,748)	--	--	(7,982,282)
Machinery and equipment	(9,105,717)	(1,207,403)	287,643	--	(10,025,477)
Infrastructure	(53,433,082)	(6,012,740)	--	--	(59,445,822)
Total accumulated depreciation	(73,005,613)	(9,332,445)	287,643	--	(82,050,415)
Total capital assets being depreciated, net	161,352,164	(6,169,645)	--	7,783,196	162,965,715
Governmental activities capital assets, net	\$187,275,164	(\$260,691)	\$ --	\$ --	\$187,014,473

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$799,533	--	--	--	\$799,533
Construction in progress	11,286,154	275,129	--	(4,300,736)	7,260,547
Total capital assets not being depreciated	12,085,687	275,129	--	(4,300,736)	8,060,080
Capital assets, being depreciated:					
Buildings	198,109	--	--	--	198,109
Improvements other than buildings	88,550,011	650,934	--	4,300,736	93,501,681
Sewage treatment plants and pump station	12,516,072	--	--	--	12,516,072
Machinery and equipment	4,566,763	242,878	(30,657)	--	4,778,984
Total capital assets being depreciated	105,830,955	893,812	(30,657)	4,300,736	110,994,846
Less accumulated depreciation for:					
Buildings	(113,875)	(5,434)	--	--	(119,309)
Improvements other than buildings	(17,102,338)	(1,820,517)	--	--	(18,922,855)
Sewage treatment plants and pump station	(4,911,326)	(248,847)	--	--	(5,160,173)
Machinery and equipment	(3,502,384)	(131,326)	30,657	--	(3,603,053)
Total accumulated depreciation	(25,629,923)	(2,206,124)	30,657	--	(27,805,390)
Capital assets being depreciated, net	80,201,032	(1,312,312)	--	4,300,736	83,189,456
Business type activities capital assets, net	\$92,286,719	(\$1,037,183)	\$ --	\$ --	\$91,249,536

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administration	\$633,386
Finance	94,326
Municipal court	21,208
Police	427,300
Fire	675,576
Public works	6,161,273
Community development	21,992
Parks and recreation	1,297,384
Total depreciation expense - governmental activities	<u>\$9,332,445</u>

Business-type activities:

Water and sewer	<u>\$2,206,124</u>
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CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Construction commitments

The City has active construction projects as of September 30, 2012. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	\$1,368,866	\$207,896

The street improvements are being financed by bond proceeds.

Discretely presented component units - Rockwall Economic Development Corporation:

	Balance 9/30/11	Additions	Retirements	Completed Construction	Balance 9/30/12
Capital assets, being depreciated:					
Furniture and fixtures	\$88,579	\$5,019	--	--	\$93,598
Total capital assets being depreciated	88,579	5,019	--	--	93,598
Less accumulated depreciation for:					
Furniture and fixtures	(73,079)	(2,245)	--	--	(75,324)
Total accumulated depreciation	(73,079)	(2,245)	--	--	(75,324)
Total capital assets being depreciated, net	\$15,500	\$2,774	--	--	\$18,274

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2012, is as follows:

Fund	Receivable	Payable
General Fund	\$557,092	\$ --
Nonmajor Governmental Funds	--	149,323
Internal Service Funds	--	407,769
Totals	\$557,092	\$557,092

The outstanding balances between funds result primarily from the time delay between the dates that interfund goods and services are provided and payments between funds are made. These are expected to be collected within one year.

The composition of interfund transfers for the year ended September 30, 2012, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	\$689,185	\$3,415,000
Nonmajor Governmental Funds	1,527,850	87,085
Water and Sewer Enterprise Fund	--	1,594,950
Internal Service Funds	2,880,000	--
Totals	\$5,097,035	\$5,097,035

Transfers are used to move unrestricted revenues to finance various programs or capital projects that the City must account for in other funds in accordance with budgetary authorizations.

F. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

General Obligation Debt Outstanding as of September 30, 2012, is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/12
Governmental Activities					
General Obligation Bonds:					
Refunding	\$4,024,394	2003	2015	2.00%-4.00%	\$975,708
Refunding and Improvements	13,345,000	2005	2025	3.00%-4.50%	10,260,000
Improvements	35,775,000	2006	2036	4.50%-5.50%	30,155,000
Improvements	21,765,000	2007	2037	5.13%-6.13%	19,255,000
Improvements	9,515,000	2008	2028	2.05%-2.50%	8,230,000
Improvements	9,065,000	2009	2029	2.00%-4.60%	7,475,000
Improvements and refunding	8,535,000	2011	2031	2.00%-5.00%	8,325,000
Total General Obligation Bonds					<u>84,675,708</u>
Certificates of Obligation Bonds:					
Improvements	1,330,000	2011	2031	2.33%-5.30%	1,330,000
Improvements	12,415,000	2005	2025	3.00%-5.00%	9,995,000
Improvements	5,270,000	2006	2026	4.25%-5.00%	3,415,000
Improvements	820,000	2012	2016	1.215%	820,000
Improvements	5,125,000	2009	2029	2.00%-4.60%	3,925,000
Improvements	5,125,000	2011	2031	2.00%-4.25%	4,580,000
Total Certificates of Obligation					<u>24,065,000</u>
Total Governmental Activities General Obligation Debt					<u>108,740,708</u>
Business-type Activities:					
General Obligation Bonds:					
Refunding	300,606	2003	2015	2.00%-4.00%	69,292
Certificates of Obligation:					
Improvements	10,310,000	2007	2027	4.25%-4.50%	8,510,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	14,595,000
Improvements	16,895,000	2008	2028	3.00%-5.00%	4,040,000
Total Certificates of obligation					<u>27,145,000</u>
Total business-type general obligation debt					<u>27,214,292</u>
Total General Debt					<u><u>\$135,955,000</u></u>

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$5,268,038	\$4,479,626	\$1,136,962	\$1,168,949	\$12,053,575
2014	5,993,038	4,584,835	1,501,962	1,128,949	13,208,784
2015	6,269,632	4,358,159	1,580,368	1,075,060	13,283,219
2016	6,070,000	4,106,371	1,615,000	1,018,495	12,809,866
2017	5,755,000	3,863,202	1,695,000	960,720	12,273,922
2018-2022	29,170,000	15,418,541	9,340,000	3,724,375	57,652,916
2023-2027	28,610,000	8,804,709	9,065,000	1,632,322	48,112,031
2028-2032	13,165,000	3,608,843	1,280,000	60,800	18,114,643
2033-2037	8,440,000	1,127,187	--	--	9,567,187
Total	<u>\$108,740,708</u>	<u>\$50,351,473</u>	<u>\$27,214,292</u>	<u>\$10,769,670</u>	<u>\$197,076,143</u>

REVENUE BONDS. The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/12
Revenue Bonds					
Improvements	\$6,700,000	2002	2022	4.00%-4.90%	\$330,000
Refunding and improvements	6,415,000	2005	2025	3.00%-4.50%	4,220,000
Total Revenue Bonds					4,550,000
Less unamortized premium (discount) on bonds					181,985
Total Revenue Bonds					<u>\$4,731,985</u>

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

Revenue bond debt service requirements to maturity are as follows:

Year	Water and Sewer Fund		Total
	Principal	Interest	
2013	\$685,000	\$191,306	\$876,306
2014	370,000	163,019	533,019
2015	260,000	147,294	407,294
2016	270,000	136,894	406,894
2017	280,000	126,094	406,094
2018-2022	1,570,000	450,356	2,020,356
2023-2025	1,115,000	100,556	1,215,556
Total	4,550,000	\$ 1,315,519	\$5,865,519
Unamortized Discount	181,985		
Total Revenue bonds	<u>\$4,731,985</u>		

Capitalized Lease Obligations

The City has entered into a contract with a software vendor for an upgrade to the public safety software system. This contract has been treated as a capitalized leases.

The City has entered into a contract with the North Texas Municipal Water District, a conservation and reclamation district and political subdivision of the state of Texas, for construction and operation of sewer plants and to provide treated water to the City. The contractual obligations have been treated as capitalized leases.

Capitalized lease obligations outstanding at September 30, 2012 are as follows:

Purpose	Original Amount	Year Issue	Final Maturity	Interest Rate	Balance 9/30/12
Capital Leases					
Governmental activities					
Public safety computer upgrade	\$330,870	2010	2016	4.45%	\$193,299
Business-type activities					
South Plant Improvements	\$1,800,000	1996	2016	various	535,000
Ground Storage Facility	2,013,434	2005	2025	various	1,496,743
Pump Station	2,145,000	2006	2026	various	1,715,000
Buffalo Creek Plant	2,960,000	2008	2028	various	2,575,000
					<u>6,321,743</u>
Total Capitalized Lease Obligations					<u>\$6,515,042</u>

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Capital lease obligation debt service requirements to maturity are as follows:

Year	Governmental Activities	Business-type Activities	Total
2013	\$53,818	\$720,501	\$774,319
2014	53,818	714,226	768,044
2015	53,818	712,304	766,122
2016	53,818	717,674	771,492
2017	--	563,717	563,717
2018-2022	--	2,837,581	2,837,581
2023-2027	--	2,389,152	2,389,152
2027	--	248,513	248,513
Total payments	215,272	8,903,668	9,118,940
Less imputed interest	(21,973)	(2,581,925)	(2,603,898)
Total Capital Lease Obligations	<u>\$193,299</u>	<u>\$6,321,743</u>	<u>\$6,515,042</u>

CHANGES IN LONG-TERM LIABILITIES

During the year ended September 30, 2012, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
Governmental activities:					
General obligation bonds	\$88,473,746	\$ --	(\$3,798,038)	\$84,675,708	\$4,018,038
Certificates of obligation	23,050,000	2,150,000	(1,135,000)	24,065,000	1,250,000
Deferred amounts:					
Unamortized premium (discount)	2,004,225	--	(97,804)	1,906,421	97,804
Loss on refunding	(120,695)	--	8,109	(112,586)	(8,109)
Total bonds payable	113,407,276	2,150,000	(5,022,733)	110,534,543	5,357,733
Capital lease obligations	236,589	--	(43,290)	193,299	45,216
Compensated absences	1,286,495	1,248,232	(1,315,651)	1,219,076	329,151
Governmental activity Long-Term Liabilities	<u>\$114,930,360</u>	<u>\$3,398,232</u>	<u>(\$6,381,674)</u>	<u>\$111,946,918</u>	<u>\$5,732,100</u>

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
Business-type activities:					
General obligation bonds	\$28,296,254	\$ --	(\$1,081,962)	\$27,214,292	\$1,136,962
Revenue bonds	5,215,000	--	(665,000)	4,550,000	685,000
Unamortized premium (discount)	193,106	--	(11,121)	181,985	11,121
Loss on refunding	(341,221)	--	31,861	(309,360)	(31,861)
Total bonds payable	33,363,139	--	(1,726,222)	31,636,917	1,801,222
Capital lease obligations	6,710,080	--	(388,337)	6,321,743	411,671
Compensated absences	113,930	130,140	(130,735)	113,335	22,700
Business-type activities	<u>\$40,187,149</u>	<u>\$130,140</u>	<u>(\$2,245,294)</u>	<u>\$38,071,995</u>	<u>\$2,235,593</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund. The government-wide statement of activities includes \$685,000 of revenue bonds and \$411,671 of capital leases due within one year for business-type activities in "liabilities payable from restricted assets" on that same statement. Liabilities payable from restricted assets also includes \$34,095 of accrued interest.

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2012:

Year Authorized	General Obligation Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/12
1985	\$1,500,000	(\$600,000)	\$900,000
1994	4,100,000	(3,600,000)	500,000
2012	27,800,000	--	27,800,000
	<u>\$33,400,000</u>	<u>(\$4,200,000)</u>	<u>\$29,200,000</u>

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Year Authorized	Revenue Bonds		Balance
	Amount Authorized	Amount Issued	Unissued 9/30/12
1980	\$2,000,000	(\$1,060,000)	\$940,000
1985	1,540,000	--	1,540,000
Totals	<u>\$3,540,000</u>	<u>(\$1,060,000)</u>	<u>\$2,480,000</u>

Discretely presented component units - Rockwall Economic Development Corporation:

\$2,405,000 Sales Tax Revenue Bonds, series 2012, payable in annual installments through August 1, 2019, interest payable at 2.00%	\$2,405,000
\$4,545,000 Sales Tax Revenue Bonds, series 2008, payable in annual installments through August 1, 2028, interest payable at 7.00%	<u>4,015,000</u>
Total Sales Tax Revenue Bonds	<u>6,420,000</u>
\$3,225,000 Certificates of Obligation, series 2005, payable in annual installments through August 1, 2015, interest payable at 3.00% to 5.00%	1,120,000
\$5,540,000 Certificates of Obligation, series 2006, payable in annual installments through August 1, 2025, interest payable at 4.25% to 5.00%	4,370,000
\$6,130,000 Certificates of Obligation, series 2008, payable in annual installments through August 1, 2028, interest payable at 3.00% to 5.00%	<u>5,295,000</u>
Total Certificates of Obligation	<u>10,785,000</u>
Total	<u>\$17,205,000</u>

Annual debt service requirements to maturity for REDC debt are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2013	\$1,275,000	\$804,993	\$2,079,993
2014	1,335,000	760,169	2,095,169
2015	1,390,000	708,007	2,098,007
2016	1,045,000	650,882	1,695,882
2017	1,090,000	611,232	1,701,232
2018-2022	5,030,000	2,381,506	7,411,506
2023-2027	5,180,000	1,087,761	6,267,761
2028	860,000	49,736	909,736
Total	<u>\$17,205,000</u>	<u>\$7,054,286</u>	<u>\$24,259,286</u>

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

Current Refundings

Rockwall Economic Development Corporation issued \$2,405,000 of Sales Tax Revenue Bonds for a current refunding of \$2,675,000 of Sales tax revenue bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$235,265 and a reduction of \$292,909 in future debt service payments.

During the year ended September 30, 2012, the following changes occurred in liabilities reported in the capital long-term debt for REDC:

	Balance 9/30/11	Additions	Retirements	Balance 9/30/12	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$6,825,000	\$2,405,000	(\$2,810,000)	\$6,420,000	\$470,000
Certificates of obligation	11,555,000	--	(770,000)	10,785,000	805,000
Unamortized premium (discount)	153,323	42,347	(13,626)	182,044	16,651
Total bonds payable	18,533,323	2,447,347	(3,593,626)	17,387,044	1,291,651
Compensated absences	20,645	33,573	(21,902)	32,316	6,500
Total	<u>\$18,553,968</u>	<u>\$2,480,920</u>	<u>(\$3,615,528)</u>	<u>\$17,419,360</u>	<u>\$1,298,151</u>

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of the City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Medical claims in any one year exceeding \$75,000 per covered individual or, approximately \$3,238,610 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2012.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers compensation plan. Under this plan, worker compensation insurance is provided in accordance with State statutes to all City employees. To protect the assets of the plan from a catastrophic claim the City has purchased stop loss coverage in the amount of \$200,000 per occurrence with a cap of \$600,000 per year.

The Worker's Compensation fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported, are not believed to be significant to the City's financial statements.

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

	Employee Benefits		Worker's Compensation	
	2012	2011	2012	2011
Claims payable beginning of the year	\$181,850	\$148,015	\$33,407	\$15,403
Claims incurred	3,193,314	2,633,737	183,041	160,788
Payment on claims	(3,187,270)	(2,599,902)	(178,480)	(142,784)
	<u>\$187,894</u>	<u>\$181,850</u>	<u>\$37,968</u>	<u>\$33,407</u>

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney and Royse City (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment processing and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams and underground water, for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest equity investments and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek and, in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable NTMWD to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the Annual Budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the Paying Agent and the Registrar.

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

These contractual obligations have been included as capital lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related sewage treatment facilities have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the bond issues as of September 30, 2012, is \$6,321,743. See Note IV F for the annual requirements to amortize the bonds as of September 30, 2012.

With respect to the ground storage reservoir discussed above, the Cities of Rockwall and Heath are contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments. While the City anticipates its share of these payments to be 66.67%, the Cities of Rockwall and Heath are each contractually obligated to make any payments which the other party is required, but is unable, to make to the District.

C. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

As described in Note 5 above, the general revenues of the City are contingently liable for the \$27,214,292 payable in General Obligation Bonds which are currently outstanding and recorded as obligations of the Enterprise Fund.

The City contracts for garbage disposal with a third party. Under the terms of the agreement the city bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

The Rockwall Economic Development Corporation provides monetary incentives to companies to relocate within the City of Rockwall. At September 30, 2012, these commitments totaled \$4,352,379.

E. Employee retirement systems and pension plans

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

TMRS issues a publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

CITY OF ROCKWALL, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended September 30, 2012

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, i.e. December 31, 2010 valuation is effective for rates beginning January 2012.

	<u>Actuarial Assumptions</u>
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 Years - Closed Period
Amortization period for new Gains/Losses	30 Years
Asset Valuation Method	10 Year Smoothed Market

CITY OF ROCKWALL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2012

Investment Rate of Return	7%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost of Living Adjustments	0.0%

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/10</u>	<u>12/31/09</u>
Actuarial Value of Asset	\$40,528,030	\$35,681,831	\$25,780,417
Actuarial Accrued Liabilities	\$55,019,733	\$50,277,529	\$40,255,888
Percentage Funded	73.7%	71.0%	64.0%
Unfunded (Over-funded) Actuarial			
Accrued Liability	\$14,491,703	\$14,595,698	\$14,475,471
Annual Covered Payroll	\$15,245,963	\$14,590,752	\$14,294,431
UAAL as a Percentage of Covered Payroll	95.1%	100.2%	101.3%
Net Pension Obligation (NPO)	\$ --	\$ --	\$ --

Fiscal Year Ended September 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$2,316,015	\$2,140,343	\$1,963,265
Interest on NPO	--	--	--
Adjustment to the ARC	--	--	--
	2,316,015	2,140,343	1,963,265
Contributions Made (100%)	2,316,015	2,140,343	1,963,265
Increase in NPO	--	--	--
NPO at the End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Texas Statewide Emergency Services Personnel Retirement Fund

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$50,500 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer emergency services personnel. The Fund has a board of directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 38 active participants currently covered by the Fund and payments are being made to 24 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments, however, financial statements for the Fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas, 78711.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF ROCKWALL, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,484,600	\$ 8,510,600	\$ 8,528,958	\$ 18,358
<i>Sales taxes</i>	10,856,000	11,701,000	12,140,716	439,716
<i>Franchise taxes</i>	2,585,000	2,728,000	2,879,585	151,585
<i>Charges for services</i>	192,100	281,600	338,975	57,375
<i>Permits</i>	649,000	866,000	1,076,770	210,770
<i>Municipal court</i>	1,125,000	1,125,000	1,141,742	16,742
<i>Intergovernmental</i>	375,300	382,000	377,775	(4,225)
<i>Interest income</i>	50,000	40,000	27,144	(12,856)
<i>Miscellaneous</i>	76,000	96,000	109,927	13,927
Total revenues	24,393,000	25,730,200	26,621,592	891,392
Expenditures:				
Current:				
<i>Mayor/Council</i>	118,600	118,600	106,958	11,642
<i>Administration</i>	3,199,900	3,546,550	3,405,096	141,454
<i>Finance</i>	1,034,150	1,045,950	1,032,733	13,217
<i>Municipal court</i>	341,250	344,950	337,537	7,413
<i>Police</i>	7,945,650	8,208,700	8,163,231	45,469
<i>Fire</i>	2,323,050	2,341,000	2,303,951	37,049
<i>Public works</i>	2,165,600	2,370,300	2,285,737	84,563
<i>Community development</i>	1,197,050	1,173,150	1,164,786	8,364
<i>Parks and recreation</i>	4,572,350	4,596,850	4,542,705	54,145
Total current	22,897,600	23,746,050	23,342,734	403,316
Capital outlay:				
<i>Administration</i>	--	725,000	724,318	682
<i>Parks and recreation</i>	21,350	21,350	20,918	432
Total capital outlay	21,350	746,350	745,236	1,114
Total expenditures	22,918,950	24,492,400	24,087,970	404,430
Excess (deficiency) of revenues over (under) expenditures	1,474,050	1,237,800	2,533,622	1,295,822
Other financing sources (uses):				
<i>Transfers in</i>	662,100	662,100	689,185	27,085
<i>Transfers out</i>	(2,115,000)	(3,415,000)	(3,415,000)	--
Total other financing sources (uses)	(1,452,900)	(2,752,900)	(2,725,815)	27,085
Net change in fund balances	21,150	(1,515,100)	(192,193)	1,322,907
Fund balances, October 1	10,087,116	10,087,116	10,087,116	--
Fund balances, September 30	\$ 10,108,266	\$ 8,572,016	\$ 9,894,923	\$ 1,322,907

CITY OF ROCKWALL, TEXAS

EXHIBIT B-2

SCHEDULE OF FUNDING PROGRESS

September 30, 2012

(Unaudited)

Acturial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$25,780,417	\$40,255,888	64.0%	\$14,475,471	\$14,294,431	101.3%
12/31/2010	35,681,831	50,277,529	71.0%	14,595,698	14,590,752	100.2%
12/31/2011	40,528,030	55,019,733	73.7%	14,491,703	15,245,963	95.1%

CITY OF ROCKWALL, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2012

(Unaudited)

Information concerning the budget and budget calendar are detailed in footnote III.A. The General Fund budget is presented on a generally accepted accounting principles basis.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Cemetery - established to account for the annual income from the sale of plots and cemetery maintenance costs.

Police Investigation - established to account for donations, court security fees, and forfeitures.

Recreational Development - established to account for the annual lease income from marinas and golf course.

Radio System - established to account for revenues and expenditures for the support of the City's radio system.

Street Improvements - established to account for the proceeds of street improvement assessments.

Hotel Motel Tax - established to account for the annual income from hotel motel taxes.

Fire Equipment - established to account for funds to be used for the purchase of fire equipment for the volunteer fire department.

Aviation - established to account for funds received from airport operations and related expenses.

Recycling - established to account for funds to be used for the City's recycling program.

Emergency Siren — established to account for revenues accumulated and expenditures to add emergency sirens within the City.

Downtown Improvement - established to account for revenues and expenditures related to the City's efforts to revitalize the downtown square.

Art in Public Places - established to account for donations received for developing art displays in public areas such as parks.

Special Crimes Unit - established to account for revenues and expenditures related to a county-wide crime task force.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of general, certificate, & contractual obligation bond principal and interest from governmental resources.

Debt Service Fund - established to account for the general governmental indebtedness of the City.

Harbor Debt Service Fund - established to account for debt issued in connection with the TIF.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - established to account for miscellaneous street and drainage projects which are financed with contributions from the General Fund and the Rockwall Economic Development Corporation.

Equipment Acquisition — established to account for capital equipment acquisition using operating transfers from benefiting funds and residual proceeds from miscellaneous debt.

205 Bypass Project — established to account for revenues and expenditures related to the construction of the new 205 Bypass roadway project.

The *Harbor/TIF Capital Projects Fund* was established to account for improvements in a Tax Increment Reinvestment Zone using proceeds from the issuance of bonds.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Benefits Fund — established to account for the financing of a medical self-insurance fund to pay medical and dental claims of the City's employees and their covered dependents.

Workers' Compensation Fund — established to account for the costs of the workers' compensation self-insurance program for the City.

AGENCY FUND

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special Escrow Agency Fund - established to account for developer contributions for infrastructure projects related to various developments to be constructed at a later date.

CITY OF ROCKWALL, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
<i>Cash and cash equivalents</i>	\$ 253,443	\$ --	\$ 65,382	\$ 318,825
<i>Investments</i>	2,688,237	--	6,542,255	9,230,492
Receivables (net of allowances for uncollectibles):				
<i>Taxes - delinquent</i>	--	55,690	--	55,690
<i>Accrued interest</i>	--	--	8,351	8,351
<i>Accounts receivable</i>	126,414	--	749,049	875,463
<i>Assessments receivable</i>	80,660	--	--	80,660
<i>Other receivables</i>	3,311	--	--	3,311
<i>Due from other governments</i>	--	43,366	--	43,366
<i>Due from component unit</i>	--	146,987	--	146,987
Total Assets	\$ 3,152,065	\$ 246,043	\$ 7,365,037	\$ 10,763,145
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 142,738	\$ --	\$ 718,556	\$ 861,294
<i>Deferred revenue</i>	110,639	55,691	--	166,330
<i>Due to other funds</i>	14,185	92,834	42,304	149,323
Total Liabilities	267,562	148,525	760,860	1,176,947
Fund balances:				
<i>Restricted</i>	162,409	97,518	--	259,927
<i>Committed</i>	2,722,094	--	--	2,722,094
<i>Assigned</i>	--	--	6,604,177	6,604,177
Total fund balances	2,884,503	97,518	6,604,177	9,586,198
Total Liabilities and Fund Balances	\$ 3,152,065	\$ 246,043	\$ 7,365,037	\$ 10,763,145

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Fund Harbor Debt Service	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
<i>Ad valorem taxes, penalty and interest</i>	\$ --	\$ 507,330	\$ --	\$ 507,330
<i>Sales taxes</i>	269,844	309,463	--	579,307
<i>Charges for services</i>	1,044,183	--	--	1,044,183
<i>Intergovernmental</i>	147,360	--	310,813	458,173
<i>Interest income</i>	962	--	53,413	54,375
<i>Miscellaneous</i>	95,107	--	1,957	97,064
<i>Donations</i>	41,138	--	567,811	608,949
Total revenues	1,598,594	816,793	933,994	3,349,381
Expenditures:				
Current:				
<i>Administration</i>	285,071	--	--	285,071
<i>Finance</i>	213,057	--	--	213,057
<i>Police</i>	23,494	--	--	23,494
<i>Fire</i>	43,328	--	--	43,328
<i>Parks and recreation</i>	146,472	--	--	146,472
Total current	711,422	--	--	711,422
Capital outlay:				
<i>Administration</i>	--	--	4,803,723	4,803,723
<i>Finance</i>	--	--	224,306	224,306
<i>Police</i>	182,517	--	282,652	465,169
<i>Fire</i>	94,571	--	274,234	368,805
<i>Parks and recreation</i>	465,241	--	--	465,241
Total capital outlay	742,329	--	5,584,915	6,327,244
Debt service:				
<i>Principal</i>	--	145,000	--	145,000
<i>Interest</i>	--	686,331	--	686,331
<i>Bond issuance cost</i>	--	--	44,305	44,305
Total debt service:	--	831,331	44,305	875,636
Total expenditures	1,453,751	831,331	5,629,220	7,914,302
Excess (deficiency) of revenues over (under) expenditures	144,843	(14,538)	(4,695,226)	(4,564,921)
Other financing sources (uses):				
<i>Transfers in</i>	115,000	--	1,412,850	1,527,850
<i>Transfers out</i>	(87,085)	--	--	(87,085)
<i>Issuance of long-term debt</i>	--	--	2,150,000	2,150,000
Total other financing sources (uses)	27,915	--	3,562,850	3,590,765
Net change in fund balances	172,758	(14,538)	(1,132,376)	(974,156)
Fund balances, October 1	2,711,745	112,056	7,736,553	10,560,354
Fund balances, September 30	\$ 2,884,503	\$ 97,518	\$ 6,604,177	\$ 9,586,198

CITY OF ROCKWALL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	Cemetery	Police Investigation	Recreational Development	Radio System
ASSETS				
<i>Cash and cash equivalents</i>	\$ 3,196	\$ 113,599	\$ 2,136	\$ --
<i>Investments</i>	112,949	819,756	83,042	--
Receivables (net of allowances for uncollectibles):				
<i>Accounts receivable</i>	--	--	--	30,023
<i>Assessments receivable</i>	--	--	--	--
<i>Other receivables</i>	--	--	--	--
Total Assets	\$ 116,145	\$ 933,355	\$ 85,178	\$ 30,023
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 15,712	\$ 120,098	\$ 1,822	\$ 675
<i>Deferred revenue</i>	--	--	--	--
<i>Due to other funds</i>	--	--	--	14,185
Total Liabilities	15,712	120,098	1,822	14,860
Fund balances:				
<i>Restricted</i>	--	--	--	--
<i>Committed</i>	100,433	813,257	83,356	15,163
Total fund balances	100,433	813,257	83,356	15,163
Total Liabilities and Fund Balances	\$ 116,145	\$ 933,355	\$ 85,178	\$ 30,023

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ 21,548	\$ 27,591	\$ 14,233	\$ 3,691	\$ 13,629
1,077,959	41,911	241,059	24,999	63,140
--	67,409	27,912	1,070	--
80,660	--	--	--	--
--	--	--	--	3,311
<u>\$ 1,180,167</u>	<u>\$ 136,911</u>	<u>\$ 283,204</u>	<u>\$ 29,760</u>	<u>\$ 80,080</u>
\$ --	\$ --	\$ 3,281	\$ 650	\$ --
80,660	--	--	--	--
--	--	--	--	--
<u>80,660</u>	<u>--</u>	<u>3,281</u>	<u>650</u>	<u>--</u>
--	136,911	--	--	--
1,099,507	--	279,923	29,110	80,080
<u>1,099,507</u>	<u>136,911</u>	<u>279,923</u>	<u>29,110</u>	<u>80,080</u>
<u>\$ 1,180,167</u>	<u>\$ 136,911</u>	<u>\$ 283,204</u>	<u>\$ 29,760</u>	<u>\$ 80,080</u>

CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2012

	Emergency Siren	Downtown Improvement
ASSETS		
<i>Cash and cash equivalents</i>	\$ 10,499	\$ 22,576
<i>Investments</i>	14,999	18,168
Receivables (net of allowances for uncollectibles):		
<i>Accounts receivable</i>	--	--
<i>Assessments receivable</i>	--	--
<i>Other receivables</i>	--	--
Total Assets	\$ 25,498	\$ 40,744
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ 500
<i>Deferred revenue</i>	--	--
<i>Due to other funds</i>	--	--
Total Liabilities	--	500
Fund balances:		
<i>Restricted</i>	25,498	--
<i>Committed</i>	--	40,244
Total fund balances	25,498	40,244
Total Liabilities and Fund Balances	\$ 25,498	\$ 40,744

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 1,241	\$ 19,504	\$ 253,443
--	190,255	2,688,237
--	--	126,414
--	--	80,660
--	--	3,311
<u>\$ 1,241</u>	<u>\$ 209,759</u>	<u>\$ 3,152,065</u>
\$ --	\$ --	\$ 142,738
--	29,979	110,639
--	--	14,185
<u>--</u>	<u>29,979</u>	<u>267,562</u>
--	--	162,409
1,241	179,780	2,722,094
<u>1,241</u>	<u>179,780</u>	<u>2,884,503</u>
<u>\$ 1,241</u>	<u>\$ 209,759</u>	<u>\$ 3,152,065</u>

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Cemetery	Police Investigation	Recreational Development	Radio System
Revenues:				
<i>Sales taxes</i>	\$ --	\$ --	\$ --	\$ --
<i>Charges for services</i>	--	577,530	330,072	30,022
<i>Intergovernmental</i>	--	18,041	--	--
<i>Interest income</i>	--	--	--	--
<i>Miscellaneous</i>	2,075	--	--	--
<i>Donations</i>	--	13,516	17,533	--
Total revenues	<u>2,075</u>	<u>609,087</u>	<u>347,605</u>	<u>30,022</u>
Expenditures:				
Current:				
<i>Administration</i>	--	--	--	134,404
<i>Finance</i>	--	--	--	--
<i>Police</i>	--	21,492	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	--	--	144,091	--
Total current	<u>--</u>	<u>21,492</u>	<u>144,091</u>	<u>134,404</u>
Capital outlay:				
<i>Police</i>	--	182,517	--	--
<i>Fire</i>	--	--	--	--
<i>Parks and recreation</i>	42,610	--	422,631	--
Total capital outlay	<u>42,610</u>	<u>182,517</u>	<u>422,631</u>	<u>--</u>
Total expenditures	<u>42,610</u>	<u>204,009</u>	<u>566,722</u>	<u>134,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,535)</u>	<u>405,078</u>	<u>(219,117)</u>	<u>(104,382)</u>
Other financing sources (uses):				
<i>Transfers in</i>	--	--	--	115,000
<i>Transfers out</i>	--	(37,085)	(50,000)	--
Total other financing sources (uses)	<u>--</u>	<u>(37,085)</u>	<u>(50,000)</u>	<u>115,000</u>
Net change in fund balances	<u>(40,535)</u>	<u>367,993</u>	<u>(269,117)</u>	<u>10,618</u>
Fund balances, October 1	<u>140,968</u>	<u>445,264</u>	<u>352,473</u>	<u>4,545</u>
Fund balances, September 30	<u>\$ 100,433</u>	<u>\$ 813,257</u>	<u>\$ 83,356</u>	<u>\$ 15,163</u>

Street Improvements	Hotel Motel Tax	Fire Equipment	Aviation	Recycling
\$ --	\$ 269,844	\$ --	\$ --	\$ --
--	--	93,600	--	--
--	--	33,188	96,131	--
962	--	--	--	--
42,089	--	4,832	13,292	32,819
--	--	30	--	--
<u>43,051</u>	<u>269,844</u>	<u>131,650</u>	<u>109,423</u>	<u>32,819</u>
--	--	--	137,883	12,784
--	213,057	--	--	--
--	--	--	--	--
--	--	43,328	--	--
--	--	--	--	--
<u>--</u>	<u>213,057</u>	<u>43,328</u>	<u>137,883</u>	<u>12,784</u>
--	--	--	--	--
--	--	94,571	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>94,571</u>	<u>--</u>	<u>--</u>
--	213,057	137,899	137,883	12,784
43,051	56,787	(6,249)	(28,460)	20,035
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
43,051	56,787	(6,249)	(28,460)	20,035
1,056,456	80,124	286,172	57,570	60,045
<u>\$ 1,099,507</u>	<u>\$ 136,911</u>	<u>\$ 279,923</u>	<u>\$ 29,110</u>	<u>\$ 80,080</u>

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Emergency Siren	Downtown Improvement
Revenues:		
<i>Sales taxes</i>	\$ --	\$ --
<i>Charges for services</i>	1,959	11,000
<i>Intergovernmental</i>	--	--
<i>Interest income</i>	--	--
<i>Miscellaneous</i>	--	--
<i>Donations</i>	--	10,000
Total revenues	<u>1,959</u>	<u>21,000</u>
Expenditures:		
Current:		
<i>Administration</i>	--	--
<i>Finance</i>	--	--
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	2,381
Total current	<u>--</u>	<u>2,381</u>
Capital outlay:		
<i>Police</i>	--	--
<i>Fire</i>	--	--
<i>Parks and recreation</i>	--	--
Total capital outlay	<u>--</u>	<u>--</u>
Total expenditures	<u>--</u>	<u>2,381</u>
Excess (deficiency) of revenues over (under) expenditures	1,959	18,619
Other financing sources (uses):		
<i>Transfers in</i>	--	--
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	1,959	18,619
Fund balances, October 1	23,539	21,625
Fund balances, September 30	<u>\$ 25,498</u>	<u>\$ 40,244</u>

Art in Public Places	Special Crimes Unit	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 269,844
--	--	1,044,183
--	--	147,360
--	--	962
--	--	95,107
59	--	41,138
<u>59</u>	<u>--</u>	<u>1,598,594</u>
--	--	285,071
--	--	213,057
--	2,002	23,494
--	--	43,328
--	--	146,472
<u>--</u>	<u>2,002</u>	<u>711,422</u>
--	--	182,517
--	--	94,571
--	--	465,241
<u>--</u>	<u>--</u>	<u>742,329</u>
--	2,002	1,453,751
59	(2,002)	144,843
--	--	115,000
--	--	(87,085)
<u>--</u>	<u>--</u>	<u>27,915</u>
59	(2,002)	172,758
1,182	181,782	2,711,745
<u>\$ 1,241</u>	<u>\$ 179,780</u>	<u>\$ 2,884,503</u>

CITY OF ROCKWALL, TEXAS
CEMETERY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Miscellaneous</i>	\$ 2,500	\$ 2,075	\$ (425)
Total revenues	2,500	2,075	(425)
Expenditures:			
Current:			
<i>Parks and recreation</i>	6,000	--	6,000
Total current	6,000	--	6,000
Capital outlay:			
<i>Parks and recreation</i>	64,000	42,610	21,390
Total capital outlay	64,000	42,610	21,390
 Total expenditures	 70,000	 42,610	 27,390
Net change in fund balances	(67,500)	(40,535)	26,965
Fund balances, October 1	140,968	140,968	--
Fund balances, September 30	\$ 73,468	\$ 100,433	\$ 26,965

CITY OF ROCKWALL, TEXAS
POLICE INVESTIGATION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 207,500	\$ 577,530	\$ 370,030
<i>Intergovernmental</i>	18,050	18,041	(9)
<i>Interest income</i>	500	--	(500)
<i>Donations</i>	14,200	13,516	(684)
Total revenues	<u>240,250</u>	<u>609,087</u>	<u>368,837</u>
Expenditures:			
Current:			
<i>Police</i>	56,900	21,492	35,408
Total current	<u>56,900</u>	<u>21,492</u>	<u>35,408</u>
Capital outlay:			
<i>Police</i>	154,800	182,517	(27,717)
Total capital outlay	<u>154,800</u>	<u>182,517</u>	<u>(27,717)</u>
Total expenditures	<u>211,700</u>	<u>204,009</u>	<u>7,691</u>
Excess (deficiency) of revenues over (under) expenditures	28,550	405,078	376,528
Other financing sources (uses):			
<i>Transfers out</i>	(10,000)	(37,085)	(27,085)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(37,085)</u>	<u>(27,085)</u>
Net change in fund balances	18,550	367,993	349,443
Fund balances, October 1	445,264	445,264	--
Fund balances, September 30	<u>\$ 463,814</u>	<u>\$ 813,257</u>	<u>\$ 349,443</u>

CITY OF ROCKWALL, TEXAS
 RECREATIONAL DEVELOPMENT FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 280,000	\$ 330,072	\$ 50,072
<i>Interest income</i>	500	--	(500)
<i>Donations</i>	17,550	17,533	(17)
Total revenues	<u>298,050</u>	<u>347,605</u>	<u>49,555</u>
Expenditures:			
Current:			
<i>Parks and recreation</i>	146,500	144,091	2,409
Total current	<u>146,500</u>	<u>144,091</u>	<u>2,409</u>
Capital outlay:			
<i>Parks and recreation</i>	372,000	422,631	(50,631)
Total capital outlay	<u>372,000</u>	<u>422,631</u>	<u>(50,631)</u>
Total expenditures	<u>518,500</u>	<u>566,722</u>	<u>(48,222)</u>
Excess (deficiency) of revenues over (under) expenditures	(220,450)	(219,117)	1,333
Other financing sources (uses):			
<i>Transfers out</i>	(50,000)	(50,000)	--
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>
Net change in fund balances	(270,450)	(269,117)	1,333
Fund balances, October 1	352,473	352,473	--
Fund balances, September 30	<u>\$ 82,023</u>	<u>\$ 83,356</u>	<u>\$ 1,333</u>

CITY OF ROCKWALL, TEXAS
RADIO SYSTEM
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 30,000	\$ 30,022	\$ 22
Total revenues	<u>30,000</u>	<u>30,022</u>	<u>22</u>
Expenditures:			
Current:			
<i>Administration</i>	148,850	134,404	14,446
Total current	<u>148,850</u>	<u>134,404</u>	<u>14,446</u>
Total expenditures	<u>148,850</u>	<u>134,404</u>	<u>14,446</u>
Excess (deficiency) of revenues over (under) expenditures	(118,850)	(104,382)	14,468
Other financing sources (uses):			
<i>Transfers in</i>	115,000	115,000	--
Total other financing sources (uses)	<u>115,000</u>	<u>115,000</u>	<u>--</u>
Net change in fund balances	(3,850)	10,618	14,468
Fund balances, October 1	4,545	4,545	--
Fund balances, September 30	<u>\$ 695</u>	<u>\$ 15,163</u>	<u>\$ 14,468</u>

CITY OF ROCKWALL, TEXAS
STREET IMPROVEMENTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 1,000	\$ 962	\$ (38)
<i>Miscellaneous</i>	150	42,089	41,939
Total revenues	<u>1,150</u>	<u>43,051</u>	<u>41,901</u>
Net change in fund balances	1,150	43,051	41,901
Fund balances, October 1	1,056,456	1,056,456	--
Fund balances, September 30	<u>\$ 1,057,606</u>	<u>\$ 1,099,507</u>	<u>\$ 41,901</u>

CITY OF ROCKWALL, TEXAS
HOTEL MOTEL TAX
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Sales taxes</i>	\$ 220,000	\$ 269,844	\$ 49,844
Total revenues	220,000	269,844	49,844
Expenditures:			
Current:			
<i>Finance</i>	214,375	213,057	1,318
Total current	214,375	213,057	1,318
Total expenditures	214,375	213,057	1,318
Net change in fund balances	5,625	56,787	51,162
Fund balances, October 1	80,124	80,124	--
Fund balances, September 30	\$ 85,749	\$ 136,911	\$ 51,162

CITY OF ROCKWALL, TEXAS
FIRE EQUIPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Charges for services</i>	\$ 93,600	\$ 93,600	\$ --
<i>Intergovernmental</i>	33,200	33,188	(12)
<i>Interest income</i>	250	--	(250)
<i>Miscellaneous</i>	--	4,832	4,832
<i>Donations</i>	--	30	30
Total revenues	<u>127,050</u>	<u>131,650</u>	<u>4,600</u>
Expenditures:			
Current:			
<i>Fire</i>	48,000	43,328	4,672
Total current	<u>48,000</u>	<u>43,328</u>	<u>4,672</u>
Capital outlay:			
<i>Fire</i>	163,250	94,571	68,679
Total capital outlay	<u>163,250</u>	<u>94,571</u>	<u>68,679</u>
Total expenditures	<u>211,250</u>	<u>137,899</u>	<u>73,351</u>
Net change in fund balances	(84,200)	(6,249)	77,951
Fund balances, October 1	286,172	286,172	--
Fund balances, September 30	<u>\$ 201,972</u>	<u>\$ 279,923</u>	<u>\$ 77,951</u>

CITY OF ROCKWALL, TEXAS

EXHIBIT C-12

AVIATION FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Intergovernmental</i>	\$ 96,150	\$ 96,131	\$ (19)
<i>Interest income</i>	100	--	(100)
<i>Miscellaneous</i>	13,700	13,292	(408)
Total revenues	109,950	109,423	(527)
Expenditures:			
Current:			
<i>Administration</i>	140,000	137,883	2,117
Total current	140,000	137,883	2,117
Total expenditures	140,000	137,883	2,117
Net change in fund balances	(30,050)	(28,460)	1,590
Fund balances, October 1	57,570	57,570	--
Fund balances, September 30	\$ 27,520	\$ 29,110	\$ 1,590

CITY OF ROCKWALL, TEXAS
RECYCLING FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-13

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 100	\$ --	\$ (100)
<i>Miscellaneous</i>	33,000	32,819	(181)
Total revenues	33,100	32,819	(281)
Expenditures:			
Current:			
<i>Administration</i>	14,000	12,784	1,216
Total current	14,000	12,784	1,216
Total expenditures	14,000	12,784	1,216
Net change in fund balances	19,100	20,035	935
Fund balances, October 1	60,045	60,045	--
Fund balances, September 30	\$ 79,145	\$ 80,080	\$ 935

CITY OF ROCKWALL, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 8,211,050	\$ 8,224,840	\$ 13,790
<i>Interest income</i>	5,000	1,210	(3,790)
<i>Miscellaneous</i>	435,400	588,159	152,759
Total revenues	<u>8,651,450</u>	<u>8,814,209</u>	<u>162,759</u>
Expenditures:			
Current:			
<i>Police</i>	112,800	112,789	11
Total current	<u>112,800</u>	<u>112,789</u>	<u>11</u>
Debt service:			
<i>Principal</i>	4,788,050	4,788,038	12
<i>Interest</i>	4,133,000	4,133,852	(852)
<i>Fiscal charges</i>	10,000	8,800	1,200
Total debt service	<u>8,931,050</u>	<u>8,930,690</u>	<u>360</u>
Total expenditures	<u>9,043,850</u>	<u>9,043,479</u>	<u>371</u>
Net change in fund balances	(392,400)	(229,270)	163,130
Fund balances, October 1	1,426,272	1,426,272	--
Fund balances, September 30	<u>\$ 1,033,872</u>	<u>\$ 1,197,002</u>	<u>\$ 163,130</u>

CITY OF ROCKWALL, TEXAS
HARBOR DEBT SERVICE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Ad valorem taxes, penalty and interest</i>	\$ 573,250	\$ 507,330	\$ (65,920)
<i>Sales taxes</i>	310,000	309,463	(537)
Total revenues	<u>883,250</u>	<u>816,793</u>	<u>(66,457)</u>
Expenditures:			
Debt service:			
<i>Principal</i>	145,000	145,000	--
<i>Interest</i>	560,900	686,331	(125,431)
Total debt service	<u>705,900</u>	<u>831,331</u>	<u>(125,431)</u>
Total expenditures	<u>705,900</u>	<u>831,331</u>	<u>(125,431)</u>
Net change in fund balances	177,350	(14,538)	(191,888)
Fund balances, October 1	112,056	112,056	--
Fund balances, September 30	<u>\$ 289,406</u>	<u>\$ 97,518</u>	<u>\$ (191,888)</u>

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CITY OF ROCKWALL, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2012

	Capital Projects	Equipment Acquisition
ASSETS		
<i>Cash and cash equivalents</i>	\$ 12,065	\$ 30,978
<i>Investments</i>	2,863,779	1,317,204
Receivables (net of allowances for uncollectibles):		
<i>Accrued interest</i>	7,930	421
<i>Accounts receivable</i>	181,239	--
Total Assets	\$ 3,065,013	\$ 1,348,603
 LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 124,320	\$ 105,138
<i>Due to other funds</i>	--	--
Total Liabilities	124,320	105,138
Fund balances:		
<i>Assigned</i>	2,940,693	1,243,465
Total fund balances	2,940,693	1,243,465
 Total Liabilities and Fund Balances	 \$ 3,065,013	 \$ 1,348,603

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ 22,339	\$ 65,382
--	2,361,272	6,542,255
--	--	8,351
567,810	--	749,049
<u>\$ 567,810</u>	<u>\$ 2,383,611</u>	<u>\$ 7,365,037</u>
\$ 14,534	\$ 474,564	\$ 718,556
42,304	--	42,304
<u>56,838</u>	<u>474,564</u>	<u>760,860</u>
510,972	1,909,047	6,604,177
<u>510,972</u>	<u>1,909,047</u>	<u>6,604,177</u>
<u>\$ 567,810</u>	<u>\$ 2,383,611</u>	<u>\$ 7,365,037</u>

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Capital Projects	Equipment Acquisition
Revenues:		
<i>Intergovernmental</i>	\$ 135,985	\$ 174,828
<i>Interest income</i>	37,072	13,749
<i>Miscellaneous</i>	--	500
<i>Donations</i>	--	--
Total revenues	<u>173,057</u>	<u>189,077</u>
Expenditures:		
Current:		
Capital outlay:		
<i>Administration</i>	284,398	456,981
<i>Finance</i>	--	224,306
<i>Police</i>	--	282,652
<i>Fire</i>	--	274,234
Total capital outlay	<u>284,398</u>	<u>1,238,173</u>
Debt service:		
<i>Bond issuance cost</i>	--	20,305
Total debt service:	<u>--</u>	<u>20,305</u>
Total expenditures	<u>284,398</u>	<u>1,258,478</u>
Excess (deficiency) of revenues over (under) expenditures	(111,341)	(1,069,401)
Other financing sources (uses):		
<i>Transfers in</i>	1,300,000	112,850
<i>Issuance of long-term debt</i>	--	820,000
Total other financing sources (uses)	<u>1,300,000</u>	<u>932,850</u>
Net change in fund balances	1,188,659	(136,551)
Fund balances, October 1	1,752,034	1,380,016
Fund balances, September 30	<u>\$ 2,940,693</u>	<u>\$ 1,243,465</u>

205 Bypass Project	Harbor/TIF Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ 310,813
529	2,063	53,413
1,457	--	1,957
567,811	--	567,811
<u>569,797</u>	<u>2,063</u>	<u>933,994</u>
2,009,611	2,052,733	4,803,723
--	--	224,306
--	--	282,652
--	--	274,234
<u>2,009,611</u>	<u>2,052,733</u>	<u>5,584,915</u>
--	24,000	44,305
<u>--</u>	<u>24,000</u>	<u>44,305</u>
2,009,611	2,076,733	5,629,220
(1,439,814)	(2,074,670)	(4,695,226)
--	--	1,412,850
--	1,330,000	2,150,000
<u>--</u>	<u>1,330,000</u>	<u>3,562,850</u>
(1,439,814)	(744,670)	(1,132,376)
1,950,786	2,653,717	7,736,553
<u>\$ 510,972</u>	<u>\$ 1,909,047</u>	<u>\$ 6,604,177</u>

CITY OF ROCKWALL, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2012

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-7)
ASSETS			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 73,154	\$ --	\$ 73,154
<i>Investments</i>	6,902	550,464	557,366
<i>Other receivables</i>	93,979	--	93,979
Total current assets	174,035	550,464	724,499
Total Assets	\$ 174,035	\$ 550,464	\$ 724,499
LIABILITIES			
Current Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 391,542	\$ 37,968	\$ 429,510
<i>Due to other funds</i>	387,219	20,550	407,769
<i>Liabilities Payable From Restricted Assets:</i>			
Total current liabilities	778,761	58,518	837,279
Total Liabilities	778,761	58,518	837,279
NET ASSETS			
<i>Unrestricted</i>	(604,726)	491,946	(112,780)
Total Net Assets	\$ (604,726)	\$ 491,946	\$ (112,780)

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:			
<i>Charges for services</i>	\$ 535,428	\$ --	\$ 535,428
<i>Reinsurance reimbursement</i>	289,045	--	289,045
Total Operating Revenues	824,473	--	824,473
OPERATING EXPENSES:			
<i>Contractual services</i>	3,742,348	285,155	4,027,503
Total Operating Expenses	3,742,348	285,155	4,027,503
Operating Income (Loss)	(2,917,875)	(285,155)	(3,203,030)
NON-OPERATING REVENUES (EXPENSES):			
<i>Interest income</i>	--	46	46
<i>Miscellaneous income</i>	--	8,882	8,882
Total Non-operating Revenues (Expenses)	--	8,928	8,928
Net Income (Loss) before Operating Transfers	(2,917,875)	(276,227)	(3,194,102)
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
<i>Transfers in</i>	2,850,000	30,000	2,880,000
Total Transfers and Capital Contributions	2,850,000	30,000	2,880,000
Change in net assets	(67,875)	(246,227)	(314,102)
Net assets, October 1	(536,851)	738,173	201,322
Net assets, September 30	\$ (604,726)	\$ 491,946	\$ (112,780)

CITY OF ROCKWALL, TEXAS
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Employee Benefits	Workers' Compensation	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 793,537	\$ 8,882	\$ 802,419
Cash Payments to Suppliers for Goods and Services	(3,743,190)	(280,594)	(4,023,784)
Net Cash Provided (Used) by Operating Activities	(2,949,653)	(271,712)	(3,221,365)
Cash Flows from Non-capital Financing Activities:			
Cash Received from Other Funds	2,980,262	50,550	3,030,812
Cash Paid to Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	2,980,262	50,550	3,030,812
Cash Flows from Investing Activities:			
Purchase of Investment Securities	--	(92,325)	(92,325)
Proceeds from Sale and Maturities of Securities	1,286	265,400	266,686
Interest and Dividends on Investments	--	46	46
Net Cash Provided (Used) for Investing Activities	1,286	173,121	174,407
Net Increase (Decrease) in Cash and Cash Equivalents	31,895	(48,041)	(16,146)
Cash and Cash Equivalents at Beginning of Year	46,885	496,753	543,638
Cash and Cash Equivalents at End of Year	\$ 78,780	\$ 448,712	\$ 527,492
Cash Equivalents Included in Investments:			
Unrestricted	\$ 5,626	\$ 448,712	\$ 454,338
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (2,917,875)	\$ (285,155)	\$ (3,203,030)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Miscellaneous income	--	8,882	8,882
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(30,936)	--	(30,936)
Increase (Decrease) in Accounts Payable	(842)	4,561	3,719
Total Adjustments	(31,778)	13,443	(18,335)
Net Cash Provided (Used) by Operating Activities	\$ (2,949,653)	\$ (271,712)	\$ (3,221,365)

CITY OF ROCKWALL, TEXAS

EXHIBIT C-21

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SPECIAL ESCROW AGENCY FUND
YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
ASSETS				
<i>Cash</i>	\$ 171,973	\$ 160,734	\$ 66,168	\$ 266,539
<i>Investments</i>	1,028,759	964,009	1,049,308	943,460
<i>Accrued interest receivable</i>	10,361	--	--	10,361
Total Assets	\$ 1,211,093	\$ 1,124,743	\$ 1,115,476	\$ 1,220,360
LIABILITIES				
<i>Due to developers</i>	\$ 1,211,093	\$ 1,124,743	\$ 1,115,476	\$ 1,220,360
Total Liabilities	\$ 1,211,093	\$ 1,124,743	\$ 1,115,476	\$ 1,220,360

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*Capital Assets Used in the
Operation of Governmental Funds*

CITY OF ROCKWALL, TEXAS
 COMPARATIVE SCHEDULES BY SOURCE OF
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012 AND 2011

EXHIBIT C-22

	2012	2011
Governmental capital assets:		
Land	\$ 14,102,412	\$ 14,102,412
Buildings	18,205,698	17,460,462
Improvements other than buildings	28,212,192	26,755,323
Machinery and equipment	14,653,437	13,464,680
Infrastructure	183,944,803	176,677,312
Construction in progress	9,946,346	11,820,588
Total governmental capital assets	<u>\$ 269,064,888</u>	<u>\$ 248,460,189</u>
Investment in governmental capital assets by source:		
Bond proceeds	\$ 138,132,745	\$ 132,378,199
General government	43,933,868	42,348,651
Grants and entitlements	2,554,248	2,304,133
Developer contributions	84,444,027	83,249,794
Total governmental capital assets by source	<u>\$ 269,064,888</u>	<u>\$ 260,280,777</u>

CITY OF ROCKWALL, TEXAS
 SCHEDULE BY FUNCTION AND ACTIVITY OF
 CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

EXHIBIT C-23

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
General government	\$ 3,051,303	\$ 9,946,346	\$ 6,271,242	\$ 4,492,388	\$ 3,167,186	--	\$ 26,928,465
Public works	8,337,281	--	324,434	965,750	1,269,090	183,944,803	194,841,358
Public safety	1,020,430	--	2,039,796	12,802	3,538,249	--	6,611,277
Recreational/development	1,693,398	--	2,293,648	22,741,252	1,296,003	--	28,024,301
Fire equipment	--	--	7,276,578	--	5,382,909	--	12,659,487
Total Governmental Capital Asst	\$ 14,102,412	\$ 9,946,346	\$ 18,205,698	\$ 28,212,192	\$ 14,653,437	\$ 183,944,803	\$ 269,064,888

CITY OF ROCKWALL, TEXAS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY OF
CAPITAL ASSETS USED IN GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-24

Function and Activity	Capital Assets October 1, 2011	Additions	Deductions	Transfers	Capital Assets September 30, 2012
General government	\$ 26,578,063	\$ 6,867,100	(138,485)	\$ (6,378,213)	\$ 26,928,465
Public works	187,463,678	1,251,336	(57,616)	6,183,960	194,841,358
Public Safety	5,999,969	657,189	(45,881)	--	6,611,277
Recreation/development	27,895,494	172,752	(43,945)	--	28,024,301
Fire Equipment	12,343,573	123,379	(1,718)	194,253	12,659,487
Total governmental funds Capital Assets	\$ 260,280,777	\$ 9,071,756	(287,645)	\$ --	\$ 269,064,888

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

DISCRETELY PRESENTED COMPONENT UNITS

The Rockwall Economic Development Corporation (REDC) represents the City by promoting it as a location for new business. It also acquires and develops land for that purpose. REDC collects a half-cent sales tax to support its activities.

The Rockwall Technology Park Association (RTPA) provides repair and maintenance of the common area within the park developed by REDC.

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF NET ASSETS - DISCRETE COMPONENT UNITS
 SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,164,684	\$ 302	\$ 1,164,986
<i>Investments</i>	3,734,243	40,414	3,774,657
<i>Receivables (net of allowances for uncollectibles)</i>	8,919	8,631	17,550
<i>Internal balances</i>	--	--	--
<i>Due from other governments</i>	703,737	--	703,737
<i>Inventories</i>	11,012,689	--	11,012,689
<i>Deferred charges</i>	179,534	--	179,534
Capital assets (net of accumulated depreciation)			
<i>Machinery and equipment</i>	18,274	--	18,274
Total Assets	<u>16,822,080</u>	<u>49,347</u>	<u>16,871,427</u>
LIABILITIES			
<i>Accounts payable and accrued liabilities</i>	314,635	11,932	326,567
<i>Due to primary government</i>	146,987	--	146,987
Noncurrent liabilities:			
<i>Due within one year</i>	1,298,151	--	1,299,730
<i>Due in more than one year</i>	16,078,848	--	16,077,269
Total Liabilities	<u>17,838,621</u>	<u>11,932</u>	<u>17,850,553</u>
NET ASSETS			
Invested in Capital Assets	18,274	--	18,274
Unrestricted	(1,034,815)	37,415	(997,400)
Total Net Assets	<u>\$ (1,016,541)</u>	<u>\$ 37,415</u>	<u>\$ (979,126)</u>

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF ACTIVITIES - DISCRETE COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	REDC	RTPA
PRIMARY GOVERNMENT:					
Discrete Component Units					
Rockwall Economic Development Corporation					
Administration	\$ 5,214,249	\$ 250,686	\$ (4,963,563)		\$ (4,963,563)
Interest on long-term debt	1,051,022	--	(1,051,022)		(1,051,022)
Total Rockwall Economic Development Corporation	6,265,271	250,686	(6,014,585)		(6,014,585)
Rockwall Technology Park Association					
Administration	166,239	164,828	--	\$ (1,411)	(1,411)
Total Discrete Component Units	\$ 6,431,510	\$ 415,514	(6,014,585)	(1,411)	(6,015,996)
General Revenues:					
Sales Taxes			4,099,389	--	4,099,389
Miscellaneous			149	--	149
Unrestricted Investment Earnings			6,060	34	6,094
Total General Revenues and Transfer			4,105,598	34	4,105,632
Change in Net Assets			(1,908,987)	(1,377)	(1,910,364)
Net Assets - Beginning			892,446	38,792	931,238
Net Assets - Ending			\$ (1,016,541)	\$ 37,415	\$ (979,126)

CITY OF ROCKWALL, TEXAS

COMBINING BALANCE SHEET - DISCRETE COMPONENT UNITS
 SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,164,684	\$ 302	\$ 1,164,986
<i>Investments</i>	3,734,243	40,414	3,774,657
Receivables (net of allowances for uncollectibles):			
<i>Accrued interest</i>	191	--	191
<i>Other receivables</i>	8,728	8,631	17,359
<i>Due from other governments</i>	703,737	--	703,737
<i>Inventory</i>	11,012,689	--	11,012,689
Total Assets	\$ 16,624,272	\$ 49,347	\$ 16,673,619
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 183,043	\$ 11,932	\$ 194,975
<i>Due to primary government</i>	146,987	--	146,987
Total Liabilities	330,030	11,932	341,962
Fund balances:			
<i>Nonspendable</i>	11,012,689	--	11,012,689
<i>Restricted</i>	5,281,553	37,415	5,318,968
Total fund balances	16,294,242	37,415	16,331,657
Total Liabilities and Fund Balances	\$ 16,624,272	\$ 49,347	\$ 16,673,619

CITY OF ROCKWALL, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS - DISCRETE COMPONENT UNITS
 SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 16,331,657
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,274
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,344,683)
Payables for bond interest which are not due in the current period are not reported in the funds.	(131,591)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(32,317)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>179,534</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 979,126</u>

CITY OF ROCKWALL, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DISCRETE COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Economic Development Corporation	Rockwall Technology Park	Total Governmental Funds
Revenues:			
<i>Sales taxes</i>	\$ 4,099,390	\$ --	\$ 4,099,390
<i>Interest income</i>	6,060	34	6,094
<i>Miscellaneous</i>	250,835	164,828	415,663
Total revenues	4,356,285	164,862	4,521,147
Expenditures:			
Current:			
<i>Administration</i>	4,160,335	166,239	4,323,574
Total current	4,160,335	166,239	4,323,574
Capital outlay:			
<i>Administration</i>	1,032,091	--	1,032,091
Total capital outlay	1,032,091	--	1,032,091
Debt service:			
<i>Principal</i>	1,185,000	--	1,185,000
<i>Interest</i>	1,078,230	--	1,078,230
<i>Fiscal charges</i>	4,122	--	4,122
<i>Bond issuance cost</i>	55,796	--	55,796
Total debt service	2,323,148	--	2,323,148
Total expenditures	7,515,574	166,239	7,681,813
Excess (deficiency) of revenues over (under) expenditures	(3,159,289)	(1,377)	(3,160,666)
Other financing sources (uses):			
<i>Issuance of long-term debt</i>	2,405,000	--	2,405,000
<i>Premium on bonds issued</i>	61,560	--	61,560
<i>Discount on bonds issued</i>	(19,213)	--	(19,213)
<i>Payment to refunded bond escrow agent</i>	(2,417,024)	--	(2,417,024)
Total other financing sources (uses)	30,323	--	30,323
Net change in fund balances	(3,128,966)	(1,377)	(3,130,343)
Fund balances, October 1	19,423,208	38,792	19,462,000
Fund balances, September 30	\$ 16,294,242	\$ 37,415	\$ 16,331,657

CITY OF ROCKWALL, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - DISCRETE COMPONENT UNITS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (3,130,343)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,246)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	55,795
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,602,024
(Increase) decrease in accrued interest from beginning of period to end of period.	23,424
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(11,671)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,405,000)
Bond premiums are reported in the funds but not in the SOA.	(61,560)
Bond discounts are reported in the funds but not in the SOA.	19,213
Change in net assets of governmental activities - Statement of Activities	<u>\$ (1,910,364)</u>

CITY OF ROCKWALL, TEXAS

ECONOMIC DEVELOPMENT CORPORATION

BUDGETARY COMPARISON SCHEDULE - DISCRETE COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-31

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Sales taxes</i>	\$ 4,025,200	\$ 4,099,390	\$ 74,190
<i>Interest income</i>	8,500	6,060	(2,440)
<i>Miscellaneous</i>	250,700	250,835	135
Total revenues	<u>4,284,400</u>	<u>4,356,285</u>	<u>71,885</u>
Expenditures:			
Current:			
<i>Administration</i>	1,154,400	4,157,335	(3,002,935)
Total current	<u>1,154,400</u>	<u>4,157,335</u>	<u>(3,002,935)</u>
Capital outlay:			
<i>Administration</i>	1,507,600	1,032,091	475,509
Total capital outlay	<u>1,507,600</u>	<u>1,032,091</u>	<u>475,509</u>
Debt service:			
<i>Principal</i>	1,180,000	1,185,000	(5,000)
<i>Interest</i>	1,082,700	1,078,230	4,470
<i>Fiscal charges</i>	4,500	4,122	378
<i>Bond issuance cost</i>	--	55,796	(55,796)
Total debt service	<u>2,267,200</u>	<u>2,323,148</u>	<u>(55,948)</u>
Total expenditures	<u>4,929,200</u>	<u>7,515,574</u>	<u>(2,586,374)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(644,800)</u>	<u>(3,159,289)</u>	<u>(2,514,489)</u>
Other financing sources (uses):			
<i>Issuance of long-term debt</i>	--	2,405,000	2,405,000
<i>Premium on bonds issued</i>	--	61,560	61,560
<i>Discount on bonds issued</i>	--	(19,213)	(19,213)
<i>Payment to refunded bond escrow agent</i>	--	(2,417,024)	(2,417,024)
Total other financing sources (uses)	<u>--</u>	<u>30,323</u>	<u>30,323</u>
Net change in fund balances	<u>(644,800)</u>	<u>(3,128,966)</u>	<u>(2,484,166)</u>
Fund balances, October 1	<u>19,423,208</u>	<u>19,423,208</u>	<u>--</u>
Fund balances, September 30	<u>\$ 18,778,408</u>	<u>\$ 16,294,242</u>	<u>\$ (2,484,166)</u>

CITY OF ROCKWALL, TEXAS

ROCKWALL TECHNOLOGY PARK ASSOCIATION
 BUDGETARY COMPARISON SCHEDULE - DISCRETE COMPONENT UNIT
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT C-32

	Budget	Actual	Variance Positive (Negative)
Revenues:			
<i>Interest income</i>	\$ 50	\$ 34	\$ (16)
<i>Miscellaneous</i>	194,100	164,828	(29,272)
Total revenues	<u>194,150</u>	<u>164,862</u>	<u>(29,288)</u>
Expenditures:			
Current:			
<i>Administration</i>	184,100	166,239	17,861
Total current	<u>184,100</u>	<u>166,239</u>	<u>17,861</u>
Total expenditures	<u>184,100</u>	<u>166,239</u>	<u>17,861</u>
Net change in fund balances	10,050	(1,377)	(11,427)
Fund balances, October 1	38,792	38,792	--
Fund balances, September 30	<u>\$ 48,842</u>	<u>\$ 37,415</u>	<u>\$ (11,427)</u>

STATISTICAL SECTION

This part of the City of Rockwall, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	127
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	136
<i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	144
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	149
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	152
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF ROCKWALL, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-1

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 89,851,392	\$ 91,085,278	\$ 89,101,460	\$ 88,367,580	\$ 63,546,273	\$ 49,487,300	\$ 34,020,634	\$ 41,346,180	\$ 47,695,043	\$ 43,120,444
Restricted	16,093,759	1,774,193	11,788,623	2,306,529	14,222,187	23,258,947	37,748,076	17,051,680	5,897,961	8,354,614
Unrestricted	238,981	13,400,417	4,308,457	12,955,777	13,643,810	13,386,297	11,683,150	11,850,426	10,242,495	9,975,317
Total governmental activities net assets	106,184,132	106,259,888	105,198,540	103,629,886	91,412,270	86,132,544	83,451,860	70,248,286	63,835,499	61,450,375
Business-type activities										
Invested in capital assets, net of related debt	58,888,435	58,139,970	54,288,096	53,418,392	48,127,382	47,893,027	41,923,596	37,368,956	38,406,139	32,724,578
Restricted	2,306,207	2,992,291	6,221,719	7,568,701	17,888,236	14,620,878	18,060,049	18,350,884	11,698,161	15,635,741
Unrestricted	4,300,793	6,124,975	5,340,103	6,162,163	5,283,929	5,463,619	7,081,727	7,475,827	9,457,896	3,746,526
Total business-type activities net assets	65,495,435	67,257,236	65,849,918	67,149,256	71,299,547	67,977,524	67,065,372	63,195,667	59,562,196	52,106,845
Primary government										
Invested in capital assets, net of related debt	148,739,827	149,225,248	143,389,556	141,785,972	111,673,655	97,380,327	75,944,230	78,715,136	86,101,182	75,845,022
Restricted	18,399,966	4,766,484	18,010,342	9,875,230	32,110,423	37,879,825	55,808,125	35,402,564	17,596,122	23,990,355
Unrestricted	4,539,774	19,525,392	9,648,560	19,117,940	18,927,739	18,849,916	18,764,877	19,326,253	19,700,391	13,721,843
Total primary government net assets	\$ 171,679,567	\$ 173,517,124	\$ 171,048,458	\$ 170,779,142	\$ 162,711,817	\$ 154,110,068	\$ 150,517,232	\$ 133,443,953	\$ 123,397,695	\$ 113,557,220

CITY OF ROCKWALL, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
Mayor/Council	\$ 106,959	\$ 111,494	\$ 116,372	\$ 109,844	\$ 117,366	\$ 111,555	\$ 108,366	\$ 78,114	\$ 74,416	\$ 58,378
Administration	7,631,175	7,183,587	6,862,780	6,707,709	7,384,773	5,523,924	6,040,692	4,908,083	5,757,527	3,583,719
Finance	1,360,201	1,331,943	1,294,888	1,409,054	1,338,894	1,138,210	1,027,654	954,840	877,537	760,436
Municipal Court	358,745	362,149	353,147	334,922	312,601	298,383	304,492	295,379	254,210	236,201
Police	8,836,213	8,423,470	8,609,827	8,384,774	7,130,698	7,001,771	6,095,435	6,372,344	6,862,707	5,446,279
Fire	3,002,941	2,734,296	2,741,288	2,201,236	2,242,829	2,207,468	1,889,269	1,144,577	1,530,503	966,400
Public Works	8,398,043	8,008,701	6,669,448	5,482,571	7,094,068	6,928,067	5,530,219	4,753,190	6,155,726	3,961,797
Community Development	1,185,114	1,203,407	1,210,519	1,350,023	2,229,753	2,018,363	1,781,548	1,680,857	1,493,249	442,470
Parks and Recreation	6,003,610	5,843,647	5,805,241	5,250,506	4,025,927	3,088,750	2,583,547	2,329,095	2,323,558	1,487,036
Interest on long-term debt	4,666,567	4,554,433	4,717,319	4,669,459	4,418,519	3,612,523	2,179,950	1,136,584	1,277,825	1,244,127
Total governmental activities expenses	41,549,568	39,757,127	38,380,829	35,900,098	36,295,428	31,929,014	27,541,172	23,653,063	26,607,258	18,186,843
Business-type activities:										
Water and Sewer	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
Total business-type activities expenses	15,549,248	14,715,610	13,916,192	13,272,884	12,206,742	10,917,707	10,253,226	8,777,277	7,061,272	6,436,878
Total primary government expenses	57,098,816	54,472,737	52,297,021	49,172,982	48,502,170	42,846,721	37,794,398	32,430,340	33,668,530	24,623,721
Program Revenues										
Governmental activities:										
Charges for services:										
Community Development	1,125,092	792,029	664,711	1,020,979	1,072,444	1,118,001	1,318,516	1,687,141	1,680,531	1,487,000
Municipal Court	1,179,016	1,195,552	1,193,019	1,082,488	974,973	989,677	883,228	917,610	928,470	730,753
Police	463,565	550,947	522,919	516,591	658,015	415,637	649,261	720,395	402,980	221,076
Other	814,487	665,314	706,280	667,091	1,252,838	1,275,491	1,771,297	1,012,518	894,130	492,282
Operating grants & contributions	660,140	366,656	59,303	81,199	151,741	1,059,602	783,317	894,114	1,424,824	772,911
Capital grants & contributions	2,012,936	4,525,403	4,437,478	8,127,487	6,620,540	3,193,554	11,804,857	5,893,301	6,624,160	181,426
Total governmental activities program revenues	6,255,236	8,095,901	7,583,710	11,495,835	10,730,551	8,051,962	17,210,476	11,125,079	11,955,095	3,885,448

CITY OF ROCKWALL, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-2

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:										
Charges for services:										
Water Sales	\$ 7,780,095	\$ 8,547,662	\$ 6,917,587	\$ 6,574,110	\$ 6,060,043	\$ 4,815,631	\$ 6,547,846	\$ 5,379,382	\$ 4,474,069	\$ 4,530,970
Sewer Charges	3,720,357	3,406,283	2,864,595	2,748,160	2,409,614	2,338,820	2,355,821	2,046,425	1,922,989	1,809,478
Other	2,564,063	2,752,625	2,150,155	1,951,945	1,797,390	1,616,873	2,164,135	2,072,748	1,890,686	1,797,588
Capital grants & contributions	1,178,672	2,157,402	1,992,680	3,374,321	5,616,869	2,808,528	4,319,065	3,411,639	6,576,943	2,906,811
Total business-type activities program revenues	15,243,186	16,863,972	13,925,017	14,648,536	15,883,916	11,579,852	15,386,867	12,910,194	14,864,687	11,044,847
Total primary government program revenues	21,498,422	24,959,873	21,508,727	26,144,371	26,614,467	19,631,814	32,597,343	24,035,273	26,819,782	14,930,295
Net (Expense)/Revenue										
Governmental activities	(35,294,332)	(31,661,226)	(30,797,119)	(24,404,263)	(25,564,877)	(23,877,052)	(10,330,696)	(12,527,984)	(14,652,163)	(14,301,395)
Business-type activities	(306,062)	2,148,362	8,825	1,375,652	3,677,174	662,145	5,133,641	4,132,917	7,803,415	4,607,969
Total primary government net expense	(35,600,394)	(29,512,864)	(30,788,294)	(23,028,611)	(21,887,703)	(23,214,907)	(5,197,055)	(8,395,067)	(6,848,748)	(9,693,426)
General Revenues and Transfers										
Governmental activities:										
Property taxes	17,321,016	17,204,239	16,735,510	16,422,119	14,780,112	11,827,931	9,063,530	8,111,715	7,265,947	6,717,883
Sales taxes	12,720,023	11,526,555	10,833,397	10,264,401	10,123,636	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216
Other	3,613,020	3,011,917	3,285,081	3,734,068	4,625,450	4,477,541	3,566,689	2,442,815	2,167,786	1,843,906
Transfers	1,594,950	979,863	1,511,785	6,201,291	1,315,405	1,350,335	2,375,000	1,006,400	867,500	1,337,963
Total governmental activities	35,249,009	32,722,574	32,365,773	36,621,879	30,844,603	26,557,736	23,534,270	18,940,771	17,037,287	16,176,968
Business-type activities:										
Other	139,212	238,819	203,622	675,348	960,254	1,600,342	1,111,064	506,954	519,436	345,017
Transfers	(1,594,950)	(979,863)	(1,511,785)	(6,201,291)	(1,315,405)	(1,350,335)	(2,375,000)	(1,006,400)	(867,500)	(1,337,963)
Total business-type activities	(1,455,738)	(741,044)	(1,308,163)	(5,525,943)	(355,151)	250,007	(1,263,936)	(499,446)	(348,064)	(992,946)
Total primary government	\$ 33,793,271	\$ 31,981,530	\$ 31,057,610	\$ 31,095,936	\$ 30,489,452	\$ 26,807,743	\$ 22,270,334	\$ 18,441,325	\$ 16,689,223	\$ 15,184,022
Change in Net Assets										
Governmental activities	\$ (45,323)	\$ 1,061,348	\$ 1,568,654	\$ 12,217,616	\$ 5,279,726	\$ 2,680,684	\$ 13,203,574	\$ 6,412,787	\$ 2,385,124	\$ 1,875,573
Business-type activities	(1,761,800)	1,407,318	(1,299,338)	(4,150,291)	3,322,023	912,152	3,869,705	3,633,471	7,455,351	3,615,023
Total primary government	\$ (1,807,123)	\$ 2,468,666	\$ 269,316	\$ 8,067,325	\$ 8,601,749	\$ 3,592,836	\$ 17,073,279	\$ 10,046,258	\$ 9,840,475	\$ 5,490,596

CITY OF ROCKWALL, TEXAS
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

TABLE D-3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2003	\$ 6,717,883	\$ 6,277,216	\$ 1,567,874	\$ 14,562,973
2004	7,265,947	6,736,054	1,776,406	15,778,407
2005	8,111,715	7,379,841	1,765,509	17,257,065
2006	9,063,530	8,529,051	2,111,798	19,704,379
2007	11,827,931	8,901,929	2,014,845	22,744,705
2008	14,780,112	10,123,636	2,421,094	27,324,842
2009	16,422,119	10,264,401	2,535,846	29,222,366
2010	16,735,510	10,833,397	2,748,483	30,317,390
2011	17,204,239	11,526,555	2,445,762	31,176,556
2012	17,321,016	12,720,023	2,821,451	32,862,490

CITY OF ROCKWALL, TEXAS
 BUSINESS TYPE ACTIVITIES REVENUES BY SOURCE
 (accrual basis of accounting)
 (unaudited)

TABLE D-4

<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Sewer Charges</u>	<u>Total</u>
2003	\$ 4,530,970	\$ 1,809,478	\$ 6,340,448
2004	4,474,069	1,922,989	6,397,058
2005	5,379,382	2,046,425	7,425,807
2006	6,547,846	2,355,821	8,903,667
2007	4,815,631	2,338,820	7,154,451
2008	6,060,043	2,409,614	8,469,657
2009	6,574,110	2,748,160	9,322,270
2010	6,917,587	2,864,595	9,782,182
2011	8,547,662	3,406,283	11,953,945
2012	7,780,095	3,720,357	11,500,451

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CITY OF ROCKWALL, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-5

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 2,870	\$ 2,446	\$ 1,407	\$ 26,130	\$ 26,980	\$ 16,104	\$ 7,500
Restricted	-	-	-	-	-	-	-	-	-	-
Non-spendable	1,120	2,116	-	-	-	-	-	-	-	-
Unreserved	-	-	9,159,333	8,293,107	8,264,368	8,335,289	7,692,662	7,301,334	6,860,155	7,235,979
Unassigned	9,916,841	10,085,001	-	-	-	-	-	-	-	-
Total general fund	\$ 9,917,961	\$ 10,087,117	\$ 9,159,333	\$ 8,295,977	\$ 8,266,814	\$ 8,336,696	\$ 7,718,792	\$ 7,328,314	\$ 6,876,259	\$ 7,243,479
All other governmental funds										
Reserved for:										
Debt Service	\$ -	\$ -	\$ 930,290	\$ 1,077,236	\$ 835,203	\$ 1,083,320	\$ 1,461,294	\$ 1,155,897	\$ 694,758	\$ 683,650
Restricted	1,481,128	1,641,992	-	-	-	-	-	-	-	-
Committed	2,722,094	2,608,081	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	2,320,833	2,399,605	3,145,275	2,797,330	2,422,376	2,046,410	1,358,357	926,507
Capital projects funds	-	-	10,319,501	16,906,340	13,094,614	21,877,706	36,529,256	16,113,095	5,271,300	7,540,907
Assigned	14,549,510	16,652,507	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 18,752,732	\$ 20,902,580	\$ 13,570,624	\$ 20,383,181	\$ 17,075,092	\$ 25,758,356	\$ 40,412,926	\$ 19,315,402	\$ 7,324,415	\$ 9,151,064

Note: The City implemented GASB 54 effective for the year ending September 30, 2011.

CITY OF ROCKWALL, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-6

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Ad valorem taxes, penalty and interest	\$ 17,308,365	\$ 17,329,982	\$ 16,560,766	\$ 16,407,575	\$ 14,708,142	\$ 11,820,994	\$ 8,979,948	\$ 8,140,125	\$ 7,270,408	\$ 6,678,166
Sales taxes	12,720,023	11,526,555	10,833,397	10,264,401	10,123,637	8,901,929	8,529,051	7,379,841	6,736,054	6,277,216
Franchise taxes	2,879,585	2,604,569	2,728,251	2,444,296	2,179,847	2,046,674	1,981,016	1,715,242	1,702,156	1,548,499
Charges for services	1,383,158	710,007	713,760	738,146	362,107	417,049	426,996	268,125	266,450	263,349
Permits	1,076,770	765,500	651,108	1,005,541	1,122,505	1,132,985	1,325,832	1,718,218	1,709,832	1,521,019
Municipal court	1,141,742	1,157,838	1,173,907	1,056,904	1,177,410	1,019,260	987,066	906,634	937,164	734,500
Intergovernmental	835,948	478,037	506,100	428,747	419,700	1,097,790	1,011,739	3,182,350	1,772,811	1,100,961
Interest income	114,588	136,878	60,429	611,615	1,702,870	2,012,244	1,149,204	304,644	143,269	312,700
Miscellaneous	795,150	661,379	569,258	872,988	837,707	716,896	1,060,866	1,080,366	755,733	422,427
Contributions and donations	727,361	364,975	148,512	2,812,457	775,695	2,241,586	6,251,435	163,635	252,037	56,463
Total Revenues	38,982,690	35,735,720	33,945,488	36,642,670	33,409,620	31,407,407	31,703,153	24,859,180	21,545,914	18,915,300
Expenditures										
Current:										
Mayor/council	106,958	111,494	116,372	109,845	117,366	111,555	108,366	78,114	74,416	58,377
Administration	3,690,167	3,402,793	3,353,637	3,358,705	3,056,885	2,750,197	2,910,478	2,708,948	2,324,516	3,024,304
Finance	1,245,790	1,211,261	1,189,250	1,266,436	1,199,417	1,138,238	1,025,230	952,808	837,800	756,688
Municipal court	337,537	335,082	333,234	318,467	311,706	300,186	303,131	291,348	249,839	234,832
Police	8,299,514	7,982,280	8,083,075	7,775,622	6,923,679	6,426,957	6,235,463	6,070,311	6,083,676	5,171,682
Fire	2,347,279	2,146,012	2,179,372	1,618,559	1,451,970	1,340,624	1,242,836	1,075,427	950,622	757,447
Public works	2,285,737	2,122,710	1,577,760	1,528,010	2,824,267	2,427,535	2,411,324	2,050,077	2,005,360	1,781,760
Community development	1,164,786	1,178,982	1,130,169	1,258,030	2,219,167	2,002,767	1,783,961	1,682,480	1,477,483	440,481
Parks and recreation	4,689,177	4,590,161	4,529,739	4,493,524	2,907,229	2,473,238	2,318,135	1,826,608	1,758,180	1,369,986
Total current	24,166,945	23,080,775	22,492,608	21,727,198	21,011,686	18,971,297	18,338,924	16,736,121	15,761,892	13,595,557
Capital outlay:										
Administration	6,648,934	7,168,226	4,746,948	18,427,890	2,373,369	4,028,933	1,580,706	602,847	623,526	1,843,858
Finance	224,306	101,525	57,653	78,866	137,035	-	-	-	36,746	141,102
Municipal Court	-	-	-	-	-	-	-	-	3,958	13,152
Police	465,169	274,821	1,316,626	258,623	74,899	225,992	285,150	1,850,771	978,179	372,661
Fire	368,805	266,400	434,754	6,462,691	727,795	1,578,623	835,685	711,166	525,888	172,970
Public works	-	-	24,575	90,798	29,051,639	10,609,516	25,733,888	9,756,038	1,667,682	1,198,999
Community development	-	-	-	-	-	2,105	-	519	668	1,123
Parks and recreation	486,159	-	1,095,622	482,177	1,742,004	2,397,348	1,477,499	757,360	600,049	443,049
Total capital outlay	8,193,373	7,810,972	7,676,178	25,801,045	34,106,741	18,842,517	29,912,928	13,678,701	4,436,696	4,186,914

CITY OF ROCKWALL, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-6

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt service:										
Principal	\$ 4,933,038	\$ 4,278,038	\$ 4,458,038	\$ 4,670,540	\$ 4,335,462	\$ 3,726,505	\$ 2,620,235	\$ 1,801,369	\$ 2,831,984	\$ 1,623,841
Interest	4,820,183	4,570,301	4,766,488	4,716,545	4,254,162	3,607,455	1,748,001	977,878	1,032,504	1,229,093
Bond issuance costs	44,305	150,900	-	242,173	468,837	9,500	500,889	429,728	99,311	-
Fiscal charges	8,800	11,200	7,032	15,284	6,384	6,484	6,020	5,063	7,403	9,272
Total debt services	9,806,326	9,010,439	9,231,558	9,644,542	9,064,845	7,349,944	4,875,145	3,214,038	3,971,202	2,862,206
Total expenditures	42,166,644	39,902,186	39,400,344	57,172,785	64,183,272	45,163,758	53,126,997	33,628,860	24,169,790	20,644,677
Excess (deficiency) of revenues over (under) expenditures	(3,183,954)	(4,166,466)	(5,454,856)	(20,530,115)	(30,773,652)	(13,756,351)	(21,423,844)	(8,769,680)	(2,623,876)	(1,729,377)
Other financing sources (uses):										
Transfers in	2,217,035	3,456,450	1,478,835	8,664,757	1,975,436	2,585,804	4,305,332	2,959,535	2,429,909	4,445,973
Transfers out	(3,502,085)	(2,913,587)	(2,304,050)	(4,488,966)	(2,715,031)	(2,866,119)	(3,478,832)	(3,416,135)	(2,812,409)	(4,163,010)
Bonds issued	2,150,000	13,210,000	-	19,295,000	22,270,000	-	41,045,000	21,200,000	-	-
Capital Leases	-	-	330,870	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	4,805,000	-	-	-	6,095,000	4,067,415	-
Accrued interest on bonds issued	-	-	-	-	-	-	176,020	129,913	-	-
Premium (discounts) on bonds issued	-	325,248	-	444,623	490,101	-	864,326	271,518	-	-
Payment to refunded bond escrow agent	-	(1,651,905)	-	(4,853,047)	-	-	-	(6,027,109)	(3,120,178)	-
Total other financing sources (uses)	864,950	12,426,206	(494,345)	23,867,367	22,020,506	(280,315)	42,911,846	21,212,722	564,737	282,963
Net change in fund balances	\$ (2,319,004)	\$ 8,259,740	\$ (5,949,201)	\$ 3,337,252	\$ (8,753,146)	\$ (14,036,666)	\$ 21,488,002	\$ 12,443,042	\$ (2,059,139)	\$ (1,446,414)
Debt service as a percentage of noncapital expenditures	28.5%	28.1%	29.1%	30.6%	24.0%	22.0%	17.4%	13.5%	14.4%	18.1%

CITY OF ROCKWALL, TEXAS
 GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-7

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
2003	\$ 6,678,166	\$ 6,277,216	\$ 1,548,499	\$ 14,503,881
2004	7,270,408	6,736,054	1,702,156	15,708,618
2005	8,140,125	7,379,841	1,715,242	17,235,208
2006	8,979,948	8,529,051	1,981,016	19,490,015
2007	11,820,994	8,901,929	2,046,674	22,769,597
2008	14,708,142	10,123,637	2,179,847	27,011,626
2009	16,407,575	10,264,401	2,444,296	29,116,272
2010	16,560,766	10,833,397	2,728,251	30,122,414
2011	17,329,982	11,526,555	2,604,569	31,461,106
2012	17,308,365	12,720,023	2,879,585	32,907,973

CITY OF ROCKWALL
 SALES TAX COLLECTIONS AS COMPARED TO TAX LEVY
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-8

Fiscal Year	Total Sales Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2003	\$ 6,277,216	94.00%	\$ 0.34
2004	6,736,054	94.08%	0.34
2005	7,379,841	91.93%	0.33
2006	8,286,316	92.22%	0.34
2007	8,901,929	76.69%	0.35
2008	10,123,637	70.47%	0.36
2009	10,264,401	64.35%	0.34
2010	10,833,397	65.84%	0.35
2011	11,526,555	68.66%	0.37
2012	12,720,023	75.10%	0.41

CITY OF ROCKWALL, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-9

Fiscal Year	Levy Year	Estimated Market Value			Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
		Real Property Residential	Real Property Non-Residential	Non-Real Property Personal			
2003	2002	\$ 1,180,867,660	\$ 484,847,529	\$ 271,117,946	\$ 99,943,555	\$ 1,836,889,580	\$ 0.3600
2004	2003	1,371,585,380	487,360,218	258,028,313	130,750,657	1,986,223,254	0.3600
2005	2004	1,573,206,290	525,794,698	284,849,415	154,608,703	2,229,241,700	0.3600
2006	2005	1,736,808,885	567,435,458	286,808,498	163,343,787	2,427,709,054	0.3689
2007	2006	1,943,727,690	921,234,223	261,957,560	551,589,203	2,575,330,270	0.4250
2008	2007	2,405,432,149	709,899,929	289,545,141	602,975,668	2,801,901,551	0.4865
2009	2008	2,147,701,430	1,155,846,969	330,037,398	625,065,569	3,008,520,228	0.5031
2010	2009	2,185,092,860	1,222,610,470	338,639,915	663,151,492	3,083,191,753	0.5031
2011	2010	2,253,052,114	1,364,840,173	334,504,395	821,180,459	3,131,216,223	0.5031
2012	2011	2,286,707,230	1,370,512,205	329,854,968	852,396,351	3,134,678,052	0.5031

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL
PROPERTY TAX EXEMPTIONS
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-10

<u>Fiscal Year</u>	<u>Over 65 and Disabled</u>	<u>Disabled Veterans</u>	<u>Agriculture</u>	<u>Abatement</u>	<u>Prorated Total Exempt</u>
2003	\$ 32,005,770	\$ 949,484	\$ 48,516,530	\$ 7,025,287	\$ 71,939
2004	69,074,650	1,067,984	44,198,700	10,670,039	338,011
2005	77,182,580	1,233,504	52,695,448	10,658,736	1,587,746
2006	87,691,150	1,495,504	50,548,990	18,883,658	1,100,093
2007	96,624,100	1,537,004	61,259,470	16,146,371	328,999
2008	104,805,677	1,658,500	66,881,780	13,651,705	248,013
2009	111,535,268	1,805,500	79,131,370	24,266,824	2,147,724
2010	117,336,354	6,522,310	101,284,160	25,091,542	182,290
2011	123,493,766	8,781,840	99,301,400	20,804,929	17,421
2012	130,833,284	10,360,860	105,251,440	20,979,952	573,415

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-11

Fiscal Year	City of Rockwall			Overlapping Rates	
	M&O	Debt	Total	School	County
2003	\$ 0.1982	\$ 0.1618	\$ 0.3600	\$ 1.8800	\$ 0.3534
2004	0.2099	0.1501	0.3600	1.8800	0.3507
2005	0.2239	0.1361	0.3600	1.8800	0.3507
2006	0.2167	0.1522	0.3689	1.8800	0.3506
2007	0.2067	0.2183	0.4250	1.7100	0.3507
2008	0.2243	0.2622	0.4865	1.4700	0.3500
2009	0.2270	0.2761	0.5031	1.4700	0.3750
2010	0.2453	0.2578	0.5031	1.4700	0.3750
2011	0.2562	0.2469	0.5031	1.4700	0.3864
2012	0.2563	0.2468	0.5031	1.4700	0.3864

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS
 PRINCIPAL TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (unaudited)

TABLE D-12

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Excel Rockwall, LP	\$ 40,193,730	1	1.28%	\$ -	-	-
Rockwall Regional Hospital, LLP	33,609,770	2	1.07%	-	-	-
Western Rim Investors	31,218,380	3	1.00%	-	-	-
Rockwall Hotel & Conference Group	29,160,780	4	0.93%	-	-	-
Continental Pet Technology	26,389,590	5	0.84%	39,391,257	1	2.14%
Wal-mart	24,536,500	6	0.78%	20,839,943	2	1.13%
Rockwall Crossing LTD	21,841,596	7	0.70%	-	-	-
Oncor Electric Delivery Service	21,569,850	8	0.69%	13,327,250	4	0.72%
SPM/WRI Rockwall, L.P.	18,500,000	9	0.59%	17,559,561	3	0.96%
TF Harbor, LLC	17,169,160	10	0.55%	-	-	-
Lowes Home Centers, Inc.	-	-	-	13,139,684	5	0.71%
Rockwall/ S-30 Ltd.	-	-	-	11,938,840	6	0.65%
Steger Towne Crossing, LP	-	-	-	9,768,360	7	0.53%
Bent Tree Realty Co.	-	-	-	9,702,200	8	0.53%
Southwestern Bell Telephone	-	-	-	9,638,070	9	0.52%
Dayton Hudson/ Target	-	-	-	8,725,190	10	0.47%
Subtotal	<u>264,189,356</u>		<u>8.43%</u>	<u>154,030,355</u>		<u>8.38%</u>
Total Taxable Value	<u>\$ 3,134,678,052</u>		<u>100.00%</u>	<u>\$ 1,838,618,028</u>		<u>100.00%</u>

Source: Rockwall Central Appraisal District

CITY OF ROCKWALL, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-13

Fiscal Year	Levy Year	Total Tax Levy	Total Current Year Collections	Percent of Levy Collected During Fiscal Period	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy
2003	2002	\$ 6,626,078	\$ 6,487,602	97.91%	\$ 128,750	\$ 6,616,352	99.85%
2004	2003	7,207,138	7,145,433	99.14%	52,138	7,197,571	99.87%
2005	2004	8,079,370	8,021,945	99.29%	48,172	8,070,117	99.89%
2006	2005	8,987,722	8,921,613	99.26%	53,261	8,974,874	99.86%
2007	2006	11,607,235	11,433,286	98.50%	155,280	11,588,566	99.84%
2008	2007	14,365,659	14,173,725	98.66%	164,842	14,338,567	99.81%
2009	2008	15,951,071	15,777,483	98.91%	129,770	15,907,253	99.73%
2010	2009	16,454,594	16,182,308	98.35%	203,481	16,385,789	99.58%
2011	2010	16,788,934	16,616,216	98.97%	54,104	16,670,320	99.29%
2012	2011	16,936,727	16,780,370	99.08%	-	16,780,370	99.08%

CITY OF ROCKWALL
TOP TEN WATER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO
(unaudited)

TABLE D-14

Customer	2012			2003		
	Water Usage	Rank	Percentage of Total Water Usage	Water Usage	Rank	Percentage of Total Water Usage
City of Rockwall	49,645,800	1	1.63%	22,684,600	2	1.48%
Rockwall I.S.D.	40,376,000	2	1.33%	57,041,700	1	3.71%
Mansions of Rockwall	28,801,000	3	0.95%	-	-	-
D.W.C./Highlife Properties	16,359,800	4	0.54%	15,592,500	5	1.01%
Walden Residential Properties	12,444,500	5	0.41%	13,887,300	6	0.90%
Mission Rockwall	11,990,200	6	0.39%	17,728,400	3	1.15%
Excel Rockwall, L.P.	11,305,300	7	0.37%	-	-	-
Rockwall Nursing Home	11,099,600	8	0.37%	11,446,400	8	0.74%
TF-Harbor, LLC	11,067,600	9	0.36%	-	-	-
Continental Can	10,068,800	10	0.33%	13,325,700	6	0.87%
Sabre Realty	-	-	-	17,120,100	4	1.11%
Lone Star Circuits	-	-	-	13,218,300	7	0.86%
Lakepointe Church	-	-	-	8,356,600	9	0.54%
Walmart	-	-	-	8,047,300	10	0.52%
Subtotal	<u>203,158,600</u>		<u>6.69%</u>	<u>198,448,900</u>		<u>12.92%</u>
Total Water Usage	<u><u>3,037,855,020</u></u>		<u><u>100.00%</u></u>	<u><u>1,536,457,500</u></u>		<u><u>100.00%</u></u>

Note: Usage stated in gallons

CITY OF ROCKWALL, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-15

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Capitalized Lease Obligations	General Obligation Bonds	Certificates of Obligation	Water and Sewer Revenue Bonds	Capitalized Lease Obligations			
2003	\$ 12,521,523	\$ 9,890,000	\$ 690,000	\$ -	\$ 288,477	\$ -	\$ 10,555,000	\$ 2,150,000	\$ 36,095,000	4.61%	\$ 1,580
2004	11,918,933	9,075,000	420,000	-	271,067	-	10,035,000	1,780,000	33,500,000	3.67%	1,329
2005	22,992,564	17,940,000	345,000	-	247,436	-	14,910,000	1,385,000	57,820,000	5.43%	2,080
2006	57,632,329	21,825,000	315,000	-	212,671	-	14,145,000	1,145,000	95,275,000	7.88%	3,155
2007	55,720,824	20,045,000	280,000	-	184,176	-	13,360,000	5,040,094	94,630,094	7.20%	3,013
2008	74,925,362	18,810,000	245,000	-	154,638	9,935,000	12,530,000	4,805,090	121,405,090	8.13%	3,824
2009	86,179,822	22,425,000	-	-	135,178	25,890,000	11,670,000	7,431,754	153,731,754	10.38%	4,789
2010	83,271,784	20,875,000	-	278,034	113,216	25,005,000	10,775,000	7,080,083	147,398,117	8.74%	4,205
2011	88,473,746	23,050,000	-	236,589	91,254	28,205,000	5,215,000	6,710,000	151,981,589	8.08%	4,129
2012	84,675,708	24,065,000	-	193,299	69,292	27,145,000	4,550,000	6,321,743	147,020,042	7.24%	3,810

Note: See Table 20 for personal income and population data

CITY OF ROCKWALL, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-16

Fiscal Year	Governmental Activities				Less: Debt Service Fund Balance	Net Bonded Debt	Percentage of Actual Taxable Value	Per Capita
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Gross Bonded Debt				
2003	\$ 12,521,523	\$ 9,890,000	\$ 690,000	\$ 23,101,523	\$ 683,650	\$ 22,417,873	1.21%	\$ 981
2004	11,918,933	9,075,000	420,000	21,413,933	694,758	20,719,175	1.04%	822
2005	22,992,564	17,940,000	345,000	41,277,564	1,014,713	40,262,851	1.80%	1,448
2006	57,632,329	21,825,000	315,000	79,772,329	1,461,294	78,311,035	3.22%	2,593
2007	55,720,824	20,045,000	280,000	76,045,824	1,083,320	74,962,504	2.91%	2,387
2008	74,925,362	18,810,000	245,000	93,980,362	835,203	93,145,159	3.32%	2,934
2009	86,179,822	22,425,000	-	108,604,822	1,077,236	107,527,586	3.57%	3,349
2010	83,271,784	20,875,000	-	104,146,784	930,290	103,216,494	3.35%	2,945
2011	88,473,746	23,050,000	-	111,523,746	1,426,272	110,097,474	3.52%	2,991
2012	84,675,708	24,065,000	-	108,740,708	1,197,002	107,543,706	3.43%	2,787

Note: See Table 20 for population data and Table 9 for property value data

CITY OF ROCKWALL, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2012
 (unaudited)

TABLE D-17

Jurisdiction	Net General Obligation Bonded Debt Outstanding (1)	Percentage Applicable to the City of Rockwall (2)	Amounts Applicable to the City of Rockwall
Direct:			
City of Rockwall	\$ 108,934,007	100.00%	\$ 108,934,007
Indirect:			
Rockwall Independent School District	348,168,257	58.49%	203,643,614
Rockwall County	<u>69,920,000</u>	49.26%	<u>34,442,592</u>
Total Indirect	<u>418,088,257</u>		<u>238,086,206</u>
Total Direct and Overlapping Bonded Debt	<u>\$ 527,022,264</u>		<u>\$ 347,020,213</u>
Average debt per capita			<u>\$ 8,993</u>

Source: Assessed value data used to estimate applicable percentages provided by Rockwall Central Appraisal District. Debt Outstanding data is provided by each governmental unit.

- (1) Includes all General Obligation Bonds, Contractual Obligations, and Certificates of Obligation and Capital Leases of the primary government.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's taxable value that is within the city's boundaries and dividing it by each unit's total taxable value.

CITY OF ROCKWALL, TEXAS
 COMPUTATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-18

The City of Rockwall, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to \$2.50 per \$100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the City's tax margin for the previous ten years was:

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Maximum Rate	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Total Tax Rate	0.5031	0.5031	0.5031	0.5031	0.4865	0.4250	0.3689	0.3600	0.3600	0.3600
Legal Debt Margin	\$ 1.9969	\$ 1.9969	\$ 1.9969	\$ 1.9969	\$ 2.0135	\$ 2.0750	\$ 2.1311	\$ 2.1400	\$ 2.1400	\$ 2.1400

CITY OF ROCKWALL, TEXAS
 SCHEDULE OF REVENUE BOND COVERAGE - WATER AND SEWER BONDS
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-19

Fiscal Year	Total Revenues	Direct Operating Expense	Net Revenue Available for Debt Service	Annual Revenue Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 9,259,528	\$ 4,647,959	\$ 4,611,569	\$ 510,000	\$ 486,884	\$ 996,884	4.63
2004	10,081,442	5,194,575	4,886,867	520,000	476,108	996,108	4.91
2005	11,447,810	6,817,094	4,630,716	550,000	453,305	1,003,305	4.62
2006	12,921,162	8,229,674	4,691,488	765,000	635,235	1,400,235	3.35
2007	10,970,532	8,405,774	2,564,758	785,000	606,179	1,391,179	1.84
2008	11,638,576	9,308,603	2,329,973	830,000	575,410	1,405,410	1.66
2009	12,706,804	9,516,940	3,189,864	860,000	542,595	1,402,595	2.27
2010	12,644,083	9,871,989	2,772,094	895,000	507,658	1,402,658	1.98
2011	15,439,747	10,805,039	4,634,708	740,000	360,448	1,100,448	4.21
2012	14,809,266	11,463,657	3,345,609	665,000	219,253	884,253	3.78

Note: Direct operating expenses excludes depreciation

CITY OF ROCKWALL, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS
 (unaudited)

TABLE D-20

DEMOGRAPHICS						
Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	RISD School Enrollment (2)	Unemployment Rate (%) (1)	
2003	22,850	\$ 782,658	\$ 34,252	10,077	6.7	
2004	25,200	911,711	36,179	10,527	5.1	
2005	27,800	1,064,601	38,295	11,560	3.5	
2006	30,200	1,209,238	40,041	12,627	3.4	
2007	31,407	1,313,786	41,831	13,086	3.9	
2008	31,748	1,494,029	47,059	13,407	4.9	
2009	32,103	1,480,976	46,132	13,721	7.0	
2010	35,050	1,687,272	48,139	14,030	6.6	
2011	36,810	1,881,580	51,116	14,200	6.7	
2012	38,586	2,031,533	52,649	14,300	5.1	

Source: (1) Texas Workforce Commission, 2011 and 2012 are estimates
 (2) Rockwall Independent School District - private schools not included

CITY OF ROCKWALL, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (unaudited)

TABLE D-21

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Rockwall Independent School District	1,550	1	8.00%	1,100	1	8.47%
Wal-Mart Superstore	492	2	2.54%	450	2	3.46%
Texas Star Express	484	3	2.50%	200	6	1.54%
Presbyterian Hospital	419	4	2.16%	-	-	-
Rockwall County	296	5	1.53%	-	-	-
City of Rockwall	256	6	1.32%	182	8	1.40%
Hilton Bella Harbor	250	7	1.29%	-	-	-
Special Products	205	8	1.06%	-	-	-
Target	200	9	1.03%	150	10	1.15%
Rockwall Nursing Home	160	10	0.83%	150	9	1.15%
Continental Express	-	-	-	225	3	1.73%
Precision Cable	-	-	-	200	4	1.54%
James Helwig & Son	-	-	-	200	5	1.54%
Power Maintenance International	-	-	-	200	7	1.54%
Subtotal	<u>4,312</u>		<u>22.26%</u>	<u>3,057</u>		<u>23.54%</u>
Total	<u>19,373</u>		<u>100.00%</u>	<u>12,989</u>		<u>100.00%</u>

Sources: Rockwall Economic Development Corporation
 North Central Texas Council of Governments
 Texas Workforce Commission

CITY OF ROCKWALL, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-22

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Administration	21.0	21.0	22.0	22.0	22.0	22.0	21.0	21.0	21.0	23.0
Finance	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	6.5	4.5
Municipal Court	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Fire	17.0	17.0	17.0	17.0	10.0	10.0	9.0	9.0	8.0	5.0
Police	92.5	91.5	90.5	90.5	88.0	85.0	80.0	72.0	70.0	68.0
Community Development	29.5	29.5	29.5	29.5	29.5	29.5	28.5	25.5	22.0	21.0
Parks & Recreation	26.0	26.0	26.0	26.0	24.5	24.5	25.0	24.0	21.0	21.0
Public Works	21.0	21.0	21.0	21.0	23.0	23.0	23.0	21.0	21.0	21.0
Water/Sewer	37.0	37.0	38.0	38.0	34.0	31.0	29.0	26.0	25.0	23.0
Total	256.0	255.0	256.0	256.0	243.0	237.0	227.5	210.0	197.5	189.5

CITY OF ROCKWALL, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-23

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Finance										
Invoices processed	15,772	15,582	16,613	16,933	16,696	16,015	15,883	14,919	14,246	14,430
Payroll checks issued	8,262	8,460	8,356	8,176	7,765	7,840	7,042	6,579	6,543	5,882
Purchase orders issued	2,150	2,269	2,391	2,572	2,363	2,553	2,468	2,561	2,420	2,338
Municipal Court										
Violations Processed	16,859	16,361	17,261	16,526	12,984	17,455	16,635	15,225	13,913	15,000
Fire										
Employees (paid)	17	17	17	17	10	10	9	9	8	4
Volunteers	35	41	38	35	42	37	40	39	36	38
Fire Calls (City and County)	831	1,059	771	771	860	777	718	772	623	560
Police										
Employees (uniformed)	72	71	71	70	69	66	61	55	51	49
Employees (civilian)	20	20	20	20	19	18	18	17	17	15
Calls for Service*	18,267	21,490	30,569	30,610	29,097	27,158	21,121	17,915	16,066	14,699
* Police Department software was upgraded in Sept. 2010 and utilizes a different criteria to count calls.										
Community Development										
# permits - New commercial construction	14	21	4	17	26	33	18	51	18	27
Value - New commercial construction	\$ 36,578,259	\$ 15,446,160	\$ 10,969,950	\$ 71,061,773	\$ 40,553,363	\$ 104,798,013	\$ 39,358,497	\$ 49,918,558	\$ 29,067,960	\$ 40,304,701
# permits - New residential construction	218	185	212	169	173	192	470	739	885	775
Value - New residential construction	\$ 39,815,104	\$ 36,244,834	\$ 40,293,359	\$ 30,914,120	\$ 31,962,169	\$ 40,174,623	\$ 82,305,725	\$ 123,215,423	\$ 135,501,919	\$ 117,512,216
Parks & Recreation										
The Center facility usage	81,500	84,001	68,665	61,713	76,530	69,988	75,757	71,118	58,060	38,821
Special event attendance	85,000	80,000	95,000	90,680	75,232	54,156	25,231	26,547	35,736	14,300
# recreation participants (youth & adult)	4,500	3,268	3,428	2,155	2,757	2,727	2,381	2,034	1,793	1,411

CITY OF ROCKWALL, TEXAS
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)

TABLE D-23

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Works										
Streets - sq yd concrete street repair	4,316.37	2,276.40	2,851.55	5,507.20	3,415.26	739.69	1,967.75	2,961.55	2,395.76	n/a
\$ spent on concrete/asphalt street repair	\$ 654,243	\$ 602,167	\$ 575,446	\$ 541,430	\$ 411,814	\$ 341,685	\$ 478,169	\$ 352,048	\$ 431,475	\$ 339,507
Miles of public street maintained by City*	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70
* Beginning in 2011, mileage calculations have changed and software advances have allowed for a more accurate count										
Water/Sewer										
Water customers	13,416	13,044	12,859	12,471	12,285	12,345	11,985	11,491	10,497	9,440
Sewer customers	12,137	11,891	11,651	11,401	11,106	10,987	10,445	10,020	9,282	8,510
Average daily water consumption (gal)	8,322,890	9,943,169	7,434,917	8,228,041	8,052,778	6,701,619	5,991,288	5,023,404	4,327,595	4,209,473
Maximum storage capacity (gal)	12,000,000	12,000,000	12,000,000	12,000,000	9,500,000	7,500,000	7,500,000	7,500,000	7,500,000	5,500,000

Source: City departments

Notes: Operating indicators are not available for Mayor/Council and Administration functions

n/a - Data not available

CITY OF ROCKWALL, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)

TABLE D-24

Function	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Fire										
Number of stations	4	4	4	2	2	2	2	2	2	2
Number of fire engines/trucks	15	15	14	12	11	11	9	8	8	8
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	42	42	42	42	42	42	42	37	30	26
Parks & Recreation										
Parks acres (developed)	538.00	538.00	538.00	538.00	538.00	341.50	324.60	307.30	287.70	283.20
Playgrounds	25	25	25	23	23	23	18	12	12	12
Picnic areas	32	32	32	31	31	29	27	26	26	25
Swimming pools	2	2	2	2	2	2	2	2	2	2
Public Works										
\$ spent on new street construction	\$ 2,164,305	\$ 1,079,938	\$ 2,596,948	\$ 15,444,384	\$ 24,508,043	\$ 4,885,417	\$ 1,689,445	\$ 2,477,496	\$ 165,359	\$ 116,368
\$ spent on street rehabilitation	\$ 2,626,965	\$ 2,433,289	\$ 1,929,529	\$ 1,446,058	\$ 4,219,701	\$ 2,492,251	\$ 6,575,541	\$ 2,352,112	\$ 583,947	\$ 397,026
Miles of public street	184.06	183.05	196.10	192.86	183.86	144.83	139.52	129.23	127.66	122.70
Water/Sewer										
Water mains (miles)	276.94	265.82	269.82	255.88	250.40	160.06	155.37	146.32	139.93	128.49
Sanitary sewers (miles)	218.88	222.62	215.88	212.77	209.95	117.51	113.58	107.83	103.62	96.64

Source: City departments

Notes: Asset indicators are not available for Mayor/Council, Administration, Finance, Municipal Court, and Community Development functions.

n/a - data not available